

**PERFORMANCE AND FINANCE SCRUTINY
COMMITTEE**

Portfolio	Corporate
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Ward(s) Affected:	All
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Portfolio Holder Update: Finance

Purpose

To provide a progress report on the Finance Services Portfolio

1. Background

1.1 The Finance Portfolio covers the following areas as set out below:

- Finance
- Procurement
- Revenues and Benefits

2. Finance Function

2019/20 Budget

2.1 The finance report, which is coming to Executive next month, shows that the Council is broadly on budget for this year. Although there have been some variances these have been covered. The main adverse variance arises from a shortfall in parking income. This is because footfall is falling, although not as fast as it is in other south east centres, and an historical increase in charges was retained but not implemented. A potential shortfall is likely on the SQ rents due to the unprecedented number of CVA and rent reviews in the retail market. However, the performance of the SQ is still better than most other comparable centres.

2020/21 Budget

2.2 Colleagues are currently working on putting the Budget together for the coming year. This will be done in time for presentation to members in February 2020. This will be the 2nd year that a new budget module has been used which makes the number crunching aspect of budget setting that much easier. Early indications are that there are financial pressures in a number of areas across the Council. Income is being squeezed and yet costs coupled with demand for services in increasing. This will make budget setting particularly challenging as there is very little new money to spend. A full 2% Council tax increase will generate about £140k pa and there is an inflationary increase in business rates income but otherwise there is very little scope for additional funding. Whilst this can be managed through reserves for the short term further investment in income generating assets coupled with greater efficiency/partnership working will need to be undertaken during the coming year if the issue is to be addressed.

2.3 A key component of the budget will be the Local Government settlement which is usually announced in December. The outgoing Conservative Government announced an increase of £2.9bn for Local Government. When this was broken down is £1.1bn was grants (of which £1bn to social care), £0.5bn Adult social care precept, £1bn Council Tax increase and £0.3bn inflation in business rates. Hence it is likely that if this settlement is

implemented there will be no increase for Districts other than Council Tax and inflation in business rates.

- 2.4 The General Election leads to its own budget challenges as it is taking place so late in the year. It would appear that if the Conservative Government is re-elected then the original settlement as announced at the Budget would stand. However, if this is not the case then it would be for the incoming Government to decide its funding priorities including capping levels on Council Tax. This information may not be known until budget setting in late February.

Capital

- 2.5 During the year the Council has made a number of capital acquisitions. These have been reported to members on a quarterly basis. All these purchases have been funded from a combination of capital receipts, grants, revenue and debt. The budget for the 2020/21 capital program is being drawn up at the moment and will be presented to members in the new year.

Treasury and Investment

- 2.6 The Council continues to invest surplus funds as well as borrow to fund its acquisitions. At the end of September, the Council had around £14m invested and borrowings of £151m. In addition, around a further £20m has been funded using internal borrowing. Further details are included in the treasury paper that is going to Executive next month.
- 2.7 Over the last 6 months the staff in finance have placed and redeemed around £150m of short term investments so as to take advantage of low interest rates. Although this is a significant amount of work for the team placing the money with other Councils and negotiating the rates this is likely to generate at least £1m in interest savings over 12 months. Following the Governments unilateral decision to add a 1% tariff on PWLB rates earlier this month meeting are being held with the Council's advisors, Arling Close, to see whether there are other avenues for refinancing some of the Council's short term debt and future capital projects.

Transactions

- 2.8 The transactions team in finance work hard to ensure that the financial records of the Council are kept up to date and suppliers are paid promptly. In the last year the team has:
- Paid £33m on 5,369 invoices with 98.9% of payments within 30 days
 - Received 5,052 cheques with a value of £1.9m. In addition, the Kiosk had 5,330 transactions totalling £851k.
 - 5,014 debtors invoices were raised with a total value of £33m.
 - 0 cheques issued – we have no book! However, 3,000 bacs payments made annually excluding benefits.

Other matters

- 2.9 During the year the Civica financial system has been upgraded to version 19.5 and a new capital module installed. Currently the team are working on putting software in place to cope with the implications of tax going digital. Civica have also recently been awarded a contract to move the finance

system in to the Cloud to improve resilience and accessibility – this will take place over the next 12 months.

External audit and Accounts

- 2.10 The Council on the instructions of the PSAA changed its auditors to BDO doing 2018/19. Due to resourcing issues at BDO no audits in Surrey were signed by the deadline of the 30th September 2019 however we are hopeful that Surrey Heath's will be signed by the end of this month. Most of the audit issues have arisen from the treatment of properties and valuations. It is anticipated that with adequate resourcing by the auditors next year the process will be much smoother.

3 Revenues and Benefits Function

- 3.1 The Revenues and Benefits team are responsible for the billing and collection of Council Tax and Business Rates as well as the awarding and payment of Council Tax benefit and Housing Benefit. The team also manage the billing and collection of BID levies. Without the team's efforts to get the money in there would be no funding available for many of this Council's services that residents rely on not only provided by Surrey Heath but also Surrey County Council and the Police.
- 3.2 The following statistics have been provided to show how this area has performed:

Council Tax

- % collected 2018/19 of the 2018/19 debt raised in year: 99.25%. Best in Surrey and 5th best in country – best manages to collect 99.4%.
- Total billed £71.793m and collected £71.251m.
- In 2018/19 8099 reminders issued, 786 final notices, 2,888 summons leading to 1,707 liability orders some of which go to enforcement
- In the last 6 months 5,606 reminders issued, 299 final notices, 866 summons and 1,169 liability order granted.
- For 2019/20 36707 annual bills issued of which 32068 paper and 4639 e-bill. The service is keen to increase the level of e billing and self service and is looking in to this with its software supplier. In the last six months a further 16,599 ad hoc bills have also been issued.
- In 2019/20 28,665 accounts paid by Direct Debit. This is 78.1% one of the highest in the country
- In 2019/20 £3.095m of Council Tax Reduction awarded
- Council tax collected on behalf of the Police, County and Parishes. However, no funding for collection is provided by these bodies. Surrey however does voluntarily pay for initiatives to improve collection, such as checking single persons discounts, as they are the largest benefactor of any additional income

Business Rates

- 99.58% collected in 2018/19 of the 2018/19 debt raised. This makes Surrey Heath 12th in the country
- Total billed £38.872m and paid £38.708m as at 31 March 2019.
- In 2018/19 860 reminders issued, 68 final notices, 350 summons leading to 228 liability orders.

- In the last 6 months 715 reminders issued, 25 final notices, 239 summons issues leading to 146 liability orders.
- In 2019/20 2,664 annual bills issued (1900 paper and 766 e-bill) and a further 2,093 ad hoc bill have been issued this year.
- 1,025 accounts pay by Direct Debit or 38.5%
- Business Rates are shared between SHBC, SCC and the Government who then redistribute them. The Government provides an allowance of £120k per year towards the cost of collection

Collectively Camberley Business Improvement District

The BID year runs 19 October to 18 October in the following year.

- % collected in 2018/19 of the 2018/19 debt raised in year: 97.15%
- Total billed £233k, total paid £227k.
- In 2018/19 196 reminders issued, 101 summons and 60 liability orders
- 403 annual bills issued (250 paper and 153 e-bill) and 75 accounts paid by DD representing about 86% of the total amount due

Housing Benefit

- 2,496 live cases as at the 31 March 2019. This has fallen to 2,296 by the 30th September 2019. On average caseload falling by 38 per month due to transfer to Universal Credit.
- Working Age claimants 792 and State Pension Age claimants 1474. At the moment there are no plans to transfer pension age claimants to Universal Credit
- In 2018/19 656 New claims were processed in an average of 23.69 days. For the 6 months to September 154 claims have been processed in an average of 18.62 days
- In 2018/19 10,672 Change events were processed taking an average of 3.21 days. For the last 6 months 3,651 changes processed in an average of 2.74 days
- Total Housing Benefit expenditure in 2018/19 was £15.597m all of which is reimbursed by Government. This makes it the Council's single largest service by budget
- The Government provides a grant of £170k a year towards the cost of providing this service

HB Debtors (Recovery of overpaid Housing Benefit)

The Council is responsible for collecting overpayments of Housing benefit from claimants. Overpayments can arise due to changes in employment or circumstances that are not communicated to the Council quickly enough. A significant proportion of overpayments are being recovered on payment plans, although these can last many years.

- In 2018/19 337 invoices issued with a value of £378,581.95
- In 2018/19 cash collected £173,443.81
- Outstanding Debt 31 March 2018 : £632,580.65
- Outstanding Debt 31 March 2019 : £549,123.29

Council Tax Reduction

- Live caseload at 31 March 2019 2,508 falling to 2,446. This benefit does not transfer in to Universal Credit and so SHBC retains these claimants.

- Working Age claimants 1346, State Pension Age claimants 1100
- In 2018/19 1,306 New claims processed taking an average time of 22.92. In the last 6 months 643 have been processed in an average of 24.67 days
- In 2018/19 10,280 Change events processed taking an average time to process of 3.03 days. In the last 6 months 4,777 have been processed in an average of 3.31 days
- In 2018/19 total CTR expenditure budgeted to be £3.130m. Although when CTR was introduced to replace Council Tax Benefit the Government did provide funding this has been progressively withdrawn and now no funding is given. The share for Surrey Heath is about £325k. In addition, no funding is provided by Government for the administration of this relief.

Procurement

There have been fewer large scale high profile procurements undertaken within the Council this past year (2019) in comparison to last year (2018), however there have been a number of smaller procurements made in order to support the key projects underway.

The table below shows the key procurements undertaken for the Surrey Heath area with a value greater than £50,000.

The newly placed Grounds Maintenance Services Contract has also been having performance difficulties in its first year with the Business Service team now looking to procure a new Provider should the situation not improve.

The procurement for site clearance works for Swift Lane enabled a professional and ethical company to be engaged which made a huge difference to the smooth running of the operation.

Tender Exercise Name	Service	Procurement Status
Citizens Advice (Cat B Office Refurbishment)	Property	Completed
Camberley High Street Construction PM	Regulatory	Completed
Old Dean Playground Refurbishment	Business	Completed
Lightwater Country Park Play Area	Business	Completed
Frimley Lodge Live 2019	Business	Completed
ITQ for Car Parking Needs Assessment	Business	Completed
Camberley High Street Regeneration Construction	Regulatory	Completed
Provision of Site Clearance works	Transformation	Completed
LRD QS/Cost Consultancy	Chief Executive Office	Completed

A significant number of procurements valued below £50,000 have been undertaken in the last year with a number being in relation to improvement works in support of the larger Camberley based projects such as:

1. The rehoming of some of the Arena leisure services in the Theatre therefore requiring works to be done to the Theatre to accommodate this

2. The removal of the canopies on Princess Way to enable the High Street regeneration works to begin, have been low value but of great importance.
3. Project Blue – Legal services, Valuation services and structural surveys supported the Council in making an informed decision regarding the acquisition.
4. Camberley Food Festival; and,
5. A concept design for the Vacant spaces project, enabling the Council to better consider options for utilising the vacant retail spaces within the Camberley Town Centre.

Other Surrey Heath wide procurements of a value below £50,000 include:

1. A housing needs survey
2. A survey to support the revision of the Local Plan
3. The purchase a minibus for Community Services
4. Bespoke adaptation of bins to support recycling and other waste policies in apartments and other building occupied by multiple users.