

Council Finances as at the 31st March 2020

SUMMARY

To provide the Performance and Finance Scrutiny Committee with a high level view as to the Financial Performance for the year 2019/20.

PORTFOLIO	Finance
WARDS AFFECTED	All

RECOMMENDATION

The Performance and Finance Scrutiny Committee is advised to NOTE the Financial Performance for the year 2019/20.

1. KEY ISSUES

- 1.1 This report covers the entire financial year to the 31st March 2020 and is intended to give members a high level view as to the financial performance of services for the year highlighting significant variances against budget. The variances reported only include controllable costs. Costs relating to asset charges, revaluations and accrued pensions have been excluded since under local authority accounting rules they do not impact the overall financial outturn.
- 1.2 This has been a challenging year with pressure on income, especially parking, and increases in costs due to inflation. Despite that overall the Council has had a successful year with overall expenditure coming in under budget by £180k. . Details are included later in this report.
- 1.3 The unaudited draft financial statements will be published on the Council's website by the new deadline date 31st August 2020. These have been prepared so as to comply with Local Authority accounting requirements and will be audited during October 2020 for final reporting to members by the 30th November 2020.

2. RESOURCE IMPLICATIONS

Revenue Budget

- 2.1 A review of actuals against budget which have generated a variance greater than £25k at the end of the year is shown in the attached annex A. The vast majority of areas have come in under budget although most significant positive variances are either due to grants being received at the end of the year or work being deferred.

Treasury Investments

- 2.2 The Council currently has £13.853m invested in a variety of banks, building societies and funds. This made a return of £206k which was £66k above budget.
- 2.3 A list of investments held at the 31st March 2020 is shown in Annex B.

Borrowing

- 2.4 The Council has borrowed £160m to fund property acquisitions. Based on the advice of our Treasury advisers £56m is made up of longer term loans from the Public Works Loans Board with the remainder being shorter term loans from other local authorities. The Council has entered into an arrangement to forward fix £50m of debt over the years 2020/21 & 2021/22 to minimise the risk of interest rate increases.

3. Debtors

Sundry Debts

- 3.1 Sundry debts include all debts except those relating to housing benefits. At the 31st March 2020 these amounted to £3.794m compared with £5.455m for the same period last year. The reduction of £1.6m relates to a number of different debts like rentals and joint waste service, where invoices were raised in March 2019 before the year end and paid the following month.

Housing Benefit Debts

- 3.2 The Council pays over £15m in Housing Benefit each year, the nature of the Housing Benefit Scheme means that overpayments arise because of changing circumstances of the recipients. These debts have to be recovered. At the 31st March 2020 the accumulated debt was £554k compared with £583k at the end of the last quarter. During the last 3 months £87k was collected and £58k of new debt was raised.

4. OFFICER COMMENTS

- 4.1 Overall this has been a good year for Surrey Heath with the vast majority of services coming in on or under budget. Services have monitored their spend over the year using the Civica financial system which gives them real time actual and committed expenditure. Although the surpluses in some areas may appear to be large many of these are due to Government grants being received towards the end of the year or fees for large planning applications which will need to be processed in the coming year.

5. PROPOSALS

- 5.1 It is proposed that the Performance and Finance Scrutiny Committee is advised to NOTE the financial performance for the year 2019-20.

6. SUPPORTING INFORMATION

- 6.1 None

7. CORPORATE OBJECTIVES AND KEY PRIORITIES

- 7.1 This item addresses the Council's Objective of delivering services efficiently, effectively and economically.

8. RISK MANAGEMENT

- 10.1 Regular financial monitoring enables risks to be highlighted at an early stage so that mitigating actions can be taken.

BACKGROUND PAPERS	None
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CONSULTATIONS, IMPLICATIONS AND ISSUES ADDRESSED

	Required	Consulted	Date
Resources			
Revenue	✓		
Capital	✓		
Human Resources			
Asset Management			
IT			
Other Issues			
Corporate Objectives & Key Priorities			
Policy Framework			
Legal			
Governance			
Sustainability			
Risk Management			
Equalities Impact Assessment			
Community Safety			
Human Rights			
Consultation			
P R & Marketing			

Review Date:

Version:

Summary Information on the Revenue Budget Position at 31st March 2020

Most of the revenue accounts have now been closed so the outturn on an individual service level can now be reviewed. The figures provided to services and reported below exclude asset charges as these are not controllable by service managers.

Individual variances increased at year end due to the current service cost element of the annual IAS19 valuation of the pension fund, over which the Council has no control. These costs are not chargeable to General Fund by statute and are managed through statutory reserves.

The tables below list significant variances against budget greater than £25k together with an explanation. “+” denotes favourable and “-“denotes adverse. Although there are a significant number of underspends some of these will be carried forward to next year.

Summary

	Budget	Actual	Variance
	£000	£000	£000
Finance	2,069	2,836	767
Transformation	4,214	3,829	(385)
Corporate	1,860	2,022	162
Business	53	1,598	1,545
Regulatory	2,395	1,774	(620)
Legal/Property Management	(1,341)	(4,309)	(2,968)
Investment & Development	(352)	580	932
Community	4,481	4,867	386
	13,379	13,198	(181)

Finance

Budget £ 2,069,220

Actual £ 2,836,178

Function	Variance	Notes
Corporate Management	-£210k	Abortive fees for property transactions
Pension Compensation Payments	-£216k	Payments to compensate the pension fund for early leavers
Accountancy/Transactions	-£174k	Severance payments & increased IAS19 pension costs

Interest received was £66K higher than the budget

Transformation

Budget £ 4,214,176

Actual £ 3,828,976

Function	Variance	Notes
Community development	+£200k	2018/19 carry forward remains unspent
Economic development	+£93k	Kevin Canlton fund underspend due to low take up of grants from the scheme.
Telephones	-£47k	Increased cost and usage of both fixed and mobile phones..
Counter Fraud fund	+£202k	This is the remainder of an anti-fraud grant and a supplementary estimate relating to Swift lane.

Corporate

Budget £ 1,860,205

Actual £ 2,022,487

There were no individual variances of more than £25k

Business

Budget £ 53,045

Actual £ 1,598,229

Function	Variance	Notes
Theatre	-£256k	Although the level of subsidy remains below that in the identified in 2014 business plan. The net revenue from shows fell short of the budget set at the start of the year.
Car Parks	-£664k	Income did not meet target for 19/20 due to a fall in town centre footfall.
Parks and Open Spaces	+£37k	Increased fees and charges income plus a reduction in premises related costs including e.g. grounds & parks maintenance, gas & electric.
Frimley Lodge Park	+£36k	Increased income from the majority of fees and charges relating to the park, along with a reduction in the contribution to the sinking fund.
Arena	-£586k	The arena closed in the summer of 2019 to enable the building of a new centre. The reduction in income and additional management costs due to this decision was included in the total on the business case. The funding for the project is included in the capital budget. The revenue resources set aside in that budget will meet these costs.

Regulatory

Budget £ 2,394,635

Actual £ 1,774,418

Function	Variance	Notes
Planning Applications	+£175k	Income up on budget due to an increase in large planning applications received.
Chobham Flood Alleviation Scheme	+£41k	Reduced spending on supplies and services due to contract work taking place.
Surrey Heath Local Plan	+£136k	Grant Income and underspend on consultants. Local plan work now being done in 2020/21
Homelessness	+£372k	Savings on grants paid and income higher than budget. .

Legal / Property Management

Budget £ (1,340,765)

Actual £ (4,308,650)

Function	Variance	Notes
Corporate Land Management	+£264k	Lower premises costs and recharges, plus increased Income.
St Georges Industrial estate	+£90k	Increased rental income and reduced premises costs
Vulcan Industrial Estate	+£97k	Surplus Income at year end
Trade City Industrial Estate	+£46k	Surplus Income at year end.
Theta Building	+£793k	Unbudgeted rental income received
Ashwood House	+£390k	Reduced premises and supplies and services expenditure including a large business rate refund plus increased income.

Investment & Development

Budget £ (352,229)

Actual £ 579,618

Function	Variance	Notes
London Road Block	+£264k	Unspent consultant budget, as costs for the project are being capitalised.
Strategic Property Development	+£346k	Lower Salary costs, plus carry forwards from 2018/19 not used.
Town Centre Investment	-£1.2m	Our town centre revenues are under pressure due to the changing nature of retail, with the need to be flexible in rent negotiations and the use of CVAs.

Community

Budget £ 4,480,737

Actual £ 4,866,879

Function	Variance	Notes
Meals at Home	+£42k	Increased Income due to greater take up of the service plus a reduction in vehicle related and salary costs.
Windle Valley Day Centre	-£32k	Reduced sales income and higher supplies and services costs.
Joint Waste Service		
Core Waste Contract (Collection of refuse bins)	+£158k	Savings in main core contract costs due to lower contract inflation.
Waste	-£145k	Higher severance and contractor costs incurred and compensation sum still not agreed.
CMO SHBC Share	-£218k	Reduction in budgeted income and contract mobilisation costs which were charged to the budget in 2019/20 that previously were funded by the recycling equalisation fund.

Business rates and Council Tax

Business rates and Council tax had amongst the highest collection rates in the country at 99.55% and 99.15% respectively.

<u>Investments at 31.03.2020</u>	£	£
Banks		
Nat West Central Account	252,526.00	
Nat West Reserve Account SIBA	<u>483,147.00</u>	
		735,673.00
Total Banks		
DMO investments		2,000,000
Money Market Funds Investments		
Aberdeen Investment Cash OEIC Fund	3,000,000.00	
BlackRock	311,231.00	
CCLA Public Sector Deposit Fund - Share Class	700,000.00	
Federated Short-Term Sterling Prime Fund (class 3)	3,000,000.00	
Legal & General (Share Class 4)	<u>2,000,000.00</u>	
		9,011,231.00
Longer term investments		
CCLA property fund	<u>2,106,423.67</u>	
Total Long term Investment		2,106,423.67
Total Investments		<u><u>13,853,328</u></u>