

FINANCE EXECUTIVE PORTFOLIO UPDATE

Summary: To provide a progress report on the Finance Portfolio

Portfolio: Finance

Wards Affected: All

Recommendation:

The Performance and Finance Scrutiny Committee is advised to note the report

1. Background

- 1.1 The Finance Portfolio covers the following areas:
 - Finance
 - Procurement
 - Revenues and Benefits
- 1.2 Included within this remit, are some significant, high-volume, customer-facing services, interacting with the majority of the Borough's residents and businesses in a variety of ways, such as collecting Council Tax and National Non-Domestic Rates (Business Rates), paying suppliers, collecting income due to the Council and administering discounts, exemptions and reliefs, hardship funds and support to taxpayers.
- 1.3 In addition to these vital transactional services, the portfolio includes a wider remit for the financial affairs of the Council, ensuring that a robust budgetary framework exists to support the delivery of Council priorities and the provision of services to the public. This includes the production of the Medium-Term Financial Strategy (MTFS) and annual budget, regular monitoring of the financial health of the Council, delivery of the annual Statement of Accounts and the proper procurement of goods and services to provide value for money to the taxpayer.
- 1.4 In carrying out these functions, the portfolio has due regard to guidance and statute and the promotion of good governance.
- 1.5 An update on the work undertaken in the portfolio is set out in the report.

2. Finance

The Finance Team

- 2.1 The Finance Team consists of 11 staff led by the Chief Accountant and comprising two teams one covering accountancy and corporate financial support with the other dealing with transactions (payments and receipts) and maintenance of the Council's core financial system.

- 2.2 The service plays a key role in supporting the wider aims of the Council as set out in the new Five-Year Strategy, which was presented to Council for consideration in October. It does this by working with the whole organisation to produce the financial plans that support delivery of the strategic aims and detailed actions within the Five-Year Strategy, by setting a financial strategy that maintains the financial resilience of the Council and by open and transparent reporting of the finance position.
- 2.3 It also ensures effective use of Council resources by maintaining a robust financial system, effective collection of sundry debt and prompt payments to our suppliers.
- 2.4 The past year has seen a number of challenges for the team, not least from monitoring the impact of the coronavirus pandemic on the Council's budgets, accounting for and monitoring spend against a range of Covid-specific grant funding and responding to changes in regulatory frameworks such as the Prudential framework for Capital finance, including changes to borrowing criteria from the Public Works Loan Board.

Budget monitoring and financial management

- 2.5 The mid-year finance report, which is reported elsewhere on this agenda, shows that the Council is expected to have a shortfall of £1.6m million at 31 March 2022 compared to the planned budget agreed in February 2021. The details of the shortfall are set out in the table in Appendix A of that report and is reproduced below:

Department	Budget £	Forecast Outturn £	Variance £
Finance	2,032,726	1,775,435	257,291 (F)
Transformation	3,869,177	3,416,072	453,105 (F)
Corporate	1,779,341	1,729,122	50,219 (F)
Legal	473,954	335,500	138,454 (F)
Investment and Development	-3,919,340	-1,702,299	2,217,041 (A)
Community	4,185,416	4,275,582	90,166 (A)
Regulatory	2,173,239	1,638,811	534,428 (F)
Business	1,189,096	1,922,355	733,259 (A)
Total	11,783,609	13,390,578	1,606,969 (A)

- 2.6 The main adverse variances arise from shortfalls in income from car parks, theatre and the Council's property portfolio, offset in part by some favourable variances such as unbudgeted grant income for Homelessness support.
- 2.7 The Council has introduced strengthened governance and monitoring arrangements for both its commercial property portfolio and its capital projects. Enhanced and regular reporting of progress and risks is being undertaken by officers and will feed through into the regular revenue and capital monitoring reports to Members.
- 2.8 In October, finance training for non-finance Managers was delivered to senior managers, in conjunction with CIPFA, to support good financial management across the organisation. It is also intended to carry out a self-assessment against new CIPFA's Financial Management Code to identify any areas for improvement.

2022/23 Budget and Medium-Term Financial Strategy

- 2.9 The expected outturn for 2021/22 will feed into the preparation of the MTF5 and next year's budget, which has now commenced. A key element of this, will be building assumptions around the recovery of the economy as a whole and of the Council's own income streams in particular.
- 2.10 The Bank of England (BoE) held Bank Rate at 0.1% throughout the period to September 2021 and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions.
- 2.11 The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation. These are important indicators for future cost pressures on the Council's budget.
- 2.12 As noted above, the MTF5 will also need to be aligned with the Council's Five-Year Strategy, which has recently been approved by the Council. This will be an iterative process as projects within the Strategy are developed, and resource requirements are fully defined, and are built into the Council's budget plans over time.
- 2.13 The financial picture for local government has been complicated in recent years by the continued single-year financial settlements from central government, which provide no certainty over future years funding. In addition, the long-awaited review into distribution of that funding, the Fair Funding Review, continues to be delayed. Uncertainty also remains over future changes to the Business Rates Retention Scheme, in particular, how historic growth in the system is dealt with following any reset of the funding baselines within the Scheme. The future of New Homes Bonus is also in question.
- 2.14 On 27th October 2021, the Chancellor announced the results of the Spending Review and the Autumn Budget, set out across the following key themes:
- Investing in growth - through changes to the taxation system, increased expenditure on research and development, investment in infrastructure and measures aimed at boosting skills
 - Supporting people and business – through reducing the taper on Universal credit from 63% to 55%, increasing the National Living Wage to £9.50 and a range of adjustments to business rates, including temporary reliefs to retail, leisure and hospitality properties.
 - Building back greener
 - Levelling up, with a White paper to be published by the end of the year and an announcement of the first allocations of the Levelling up Fund
 - Advancing global Britain and
 - Seizing the opportunities of Brexit.

- 2.15 The government announced its top priorities in the Spending Review which included Health and Social Care, Education, Housing, Criminal Justice and Local Government, for which it provided a multi-year settlement and an average real-terms increase of 3% a year in core spending power between 2021/22 and 2024/25.
- 2.16 Announcements were made about additional funding for Social Care and the Supporting Families Programme, for the core schools' budget and the holiday activities and food programme, alongside expected council tax referendum levels and business rates measures. Investments were announced for Affordable Housing, digitising the Planning system and continuation of the Rough Sleeping Initiative and the Homelessness Prevention Grant. There was also money to support authorities with cyber security, the setting up of the new Audit Reporting and Governance Authority, funding for youth services and cultural and heritage infrastructure.
- 2.17 While a multi-year local government finance settlement is to be welcomed, the detail will need to be analysed as part of the forthcoming budget process. Further detail over individual authority funding allocations will be available either as part of a technical consultation on the Local Government Finance Settlement 2022/23 or through the Settlement itself, later in the year.
- 2.18 The Council has a good track record of meeting financial challenges and is well placed to respond albeit to what may still prove to be a challenging financial picture. CIPFA's Resilience Index, for example, places the Council at low risk in its financial sustainability risk indicator, due to the Council's robust levels of reserves, particularly its earmarked reserves and measurement of the change in those reserves over time.

Treasury and Investment

- 2.19 The Council continues to invest surplus funds as well as borrow to fund its acquisitions. At the end of September, the Council had around £27.3m invested and borrowings of £174.76m. Further details are included in the treasury management report elsewhere on this agenda.
- 2.20 Further changes to the Prudential Code for Capital Finance in Local Authorities and to the Treasury Management Code of Practice are expected following consultation this Autumn, including further guidance on the prohibition of borrowing to invest. The Finance team will be assessing the changes once they are released and taking them into account in future Treasury and Investment strategies.

External Audit and Accounts

- 2.21 The Council's draft financial statements for 2019/20 were submitted to our external auditors by the deadline of 31 August 2020 and are published on the Council's website. The well-documented issues with the delays in auditing of the accounts of public bodies have led to over 170 recommendations emerging from various Government reviews alongside very visible signs that local audit is under stress. According to PSAA, for 2019/20, a significant number of audit opinions (265 (55%)) were not given by the publishing date, of which 70 (14%) remain outstanding, including Surrey Heath's audit.
- 2.22 Reasons cited by audit firms across the sector (and not in relation to the Council's own audit) are:
- a shortage of audit staff with the requisite skills and experience

- more demanding regulatory requirements which increase the time and effort needed for an audit
- local bodies entering more frequently into innovative transactions and capacity shortages in finance and other staff to deal with the volume and complexity of local government accounts
- the challenges posed by the pandemic including its implications for auditors' work on their risk assessment and financial resilience

2.23 BDO, as the Council's external auditor, will report progress on the 2019/20 audit to the next Audit and Standards Committee in November 2021.

3. Revenues and Benefits

3.1 The Revenues and Benefits team is responsible for the billing and collection of Council Tax and Business Rates Borough wide and the collection of the Business Improvement Levy in respect of Camberley Town Centre. The team also assess entitlement to help towards payment of rent and Council Tax and the payment of Discretionary Housing Payments to both Housing Benefit recipients and those receiving help towards their housing costs in their Universal Credit entitlement and collection of overpaid Housing Benefit.

3.2 Since 28 September 2020 Test and Trace Isolation Support Payments for Surrey Heath residents required to isolate due to positive Covid 19 notification have been administrated by Revenues and Benefits.

3.3 The Test and Trace Isolation Support Payment scheme payments are fully funded by Central Government and the scheme has two strands, main scheme and a local discretionary element. There have been 735 applications and total paid out so far is main scheme £63,500 and Surrey Heath's discretionary scheme £108,500.

3.4 The team is made up of 19.5 fte staff which includes one full time apprentice.

3.5 During 2020/21 our first two revenues apprentices graduated with distinction with a level 4 Revenues and Benefits Welfare Practitioner qualification. One apprentice was successful in obtaining a full-time position with the Revenues Team and was also a finalist in the National Apprentice awards. In addition to this we have two staff studying the IRRV level 3 Diploma, hoping to join the 9 currently qualified staff.

3.6 The Borough has:

- 37,740 domestic properties with an agreed valuation band
- 186 domestic properties awaiting valuation where a provisional band has been set
- Net collectable council tax debit for 2021/22 is £82.2m and as at 30 September 2021 £47.3m or 57.4% has been collected
- Commercial properties with a total rateable value of £
- Net collectable business rates of £29.0m for 2021/22 and as at 30 September 2021 £15.9m or 55% has been collected
- 1738 Housing Benefit claimants
- 2,425 Local Council Tax Support Claimants

- 3.7 Restart Grants replaced the myriad of business support grants paid throughout 2020/21. Working in the Christmas and New Year period the business rates team ensured these grants were paid as swiftly as possible to help our local businesses bounce back after lockdown. £3.4m was paid to 319 local businesses.
- 3.8 The Magistrates Court reopened in October 2020 and since then we have reverted to our regular recovery timetable in respect of council tax and business rate accounts falling behind on the instalments due.
- 3.9 Recovery action involves the issue of the original bill and then, reminders, second reminders, final notices, summonses, post liability order 7-day letters, attachment to benefit, attachment to earnings and passing of the debt to our Enforcement Agents.
- 3.10 The Government introduced “Breathing Space” from 4 May 2021. This is a scheme to help people in debt to better manage their finances. Breathing Space can give individuals with problem debt the opportunity to legal protections from their creditors in order to seek advice and guidance on their debts. The Recovery Team were live with Breathing Space from 4 May 2021.
- 3.11 Recovery volumes for Council Tax from 1 April 2021:
- Reminders: 4543
 - E-Reminders 1779
 - Final Notices 360
 - E-Final notices 157
 - Summonses 2478
 - Liability Orders 1402
- 3.12 Recovery Volumes for Business Rates from 1 April 2021:
- Reminders: 272
 - E-Reminders 772
 - Final Notices 27
 - Summonses 410
 - Liability Orders 207
- 3.13 Housing Benefit is an income related benefit and in some cases, claimants receive too much Housing Benefit and this has to be repaid. The Revenues and Benefits team manage the billing and recovery of the overpaid Housing Benefit.
- 3.14 From April, £55,089 has been recovered by invoice in respect of claimants no longer receiving Housing Benefit.
- 3.15 We collect and recover the Collectively Camberley Business Improvement Levy which consists of 402 businesses in Camberley Town centre. Recovery volumes are:
- Reminders: 49

- Summonses 37
- Liability Orders: 26

3.16 Collectively Camberley were elected for a third five-year term and preparations to ensure that the bills can be issued, and BID levy collected, for the next five years are underway.

3.17 For Council Tax and business rate payers who either do not engage with us or do not maintain payment arrangements we do pass those debts to our Enforcement Agents for collection where this is the most appropriate method to secure payment. A summary of the debts passed to our Enforcement Agents from 1 April 2021 to 15 October 2021 is:

Enforcement Agent	Number of cases sent	Value of cases sent £	Number of cases collected in full	Value collected to date (paid in full and arrangements)
Chandlers	216	£316,445.29	30	£52,195.66
CDER Group	189	£218,188.89	21	£31,136.35
Bristow & Sutor	334	£391,573.27	23	63,159.12
Total	739	£926,207.45	74	£146,491.13

3.18 The third major element of the work of the Revenues and Benefits team is to assess entitlement to help with housing costs for those residents on low income.

3.19 2020/21 saw a peak in new claims for help with council tax payments from our residents with 2562 new claims processed between April 2020 and 30 September 2020.

3.20 2021/22 has seen a return to lower claim numbers with 986 new Council Tax support claims processed from April 2021 to 30 September 2021 and 5828 changes in circumstances dealt with. Our current 2425 live claims represent Council Tax foregone of £3.3m.

3.21 In addition to assessing Council Tax Support we continue to assess entitlement to help with rent for pension age claimants and persons living in temporary or supported rented housing. The majority of new requests for help with rent from persons of working age are dealt with as part of a Universal Credit claim and therefore the volumes dealt with are remaining at an average of 15 new claims per month. Changes in circumstance average 290 per month.

3.22 A new Local Council Tax Support scheme for our working age residents has been developed with the Community Support Working Group and is to be considered by the Executive in November 2021 prior to consultation with stakeholders and residents. The final scheme will then be considered alongside the consultation responses by Full Council.

3.23 The team are in the early stages of the 2022/23 annual billing process for Council Tax and Business Rates, uprating of entitlement to Housing Benefit

and Council Tax Support for pension age claimants in line with Government increases in benefits and allowances.

- 3.24 2021/22 will see the Revenues and Benefits service launch an online self-service platform for our residents. The Citizens Access Revenues module will be the first to go live.
- 3.25 Citizens Access Revenues will allow residents to securely check their account balance and manage their account online.
- 3.26 We continue to support the external auditors with their enquiries and information requests in respect of the annual billing process and benefits paid in respect during 2019/20.
- 3.27 The Revenues and Benefits service stepped up to the challenges that Covid presented for revenues collection, benefit payments and support for our most vulnerable residents. The results achieved for the outturn in 2020/21 are:

Council Tax collected	98.7%
Business Rates collected	99.8%
Days to process new Housing Benefit claim	23.18
Days to process a HB change in circumstances	2.75
Combined HB processing days average	3.30
Days to process new LCTSS claim	30.9
Days to process LCTSS change of circumstances	3.28
Combined days to process average	8.76

4. Procurement

- 4.1 The Council currently has a specialist procurement officer working within the Investment and Development team to provide support for our major regeneration projects, in addition to wider support across the Council. A recruitment process for a further full-time officer is currently underway as this is an area that was identified in the 2021/22 budget, for additional investment.
- 4.2 Embedding good procurement practice throughout the Council should ensure value for money services for the taxpayer, through the provision of efficiencies in processes and by achieving the right balance of quality and price within the contracts awarded by the Council.
- 4.3 The following table sets out key procurement activity undertaken since the last update:

Tender Exercise Name	Procurement Status
Retail Technology Test Bed	Request for Information on-going
Refurbishment 2nd Floor theta	Tender on-going
London Road Demolition Professional Services	Complete
151 Gordon Avenue	Complete
Camberley Town Centre Strategy	Complete
45-51 Park Street	Complete
Cambridge Square Refurbishment Professional Services	Complete

London Road Redevelopment Professional Services	Complete
Playground Refurbishment at Orchard Way, Camberley	Complete
Wheelchair Swing at Frimley Lodge Park	Complete
Playground Refurbishment at Chobham Road Recreation Ground, Frimley	Complete
Playground Refurbishment at London Road Recreation Ground, Camberley	Complete
Household textiles recycling - JWS	Complete
External Elevation refurbishment works to Camberley Theatre	Complete
Council Chamber Audio Visual Equipment	Complete
Microsoft Enterprise Agreement Software Licensing	Complete
Mytchett Skatepark Project	Complete

- 4.4 This work has involved use of frameworks to award some contracts. Like all construction projects at present, some of the Council's projects will be at risk from increasing costs due to the rise in materials costs and other market factors, which are being mitigated where possible, through robust procurement and detailed specifications.
- 4.5 Significant updates for other areas of the Council include the opening of the new Leisure centre, as scheduled, in July 2021. The operator requested substantial financial support due to the impact of covid and engaged lawyers to submit a request for compensation as a result of change in law. Negotiations concluded without any additional costs to the Council.
- 4.6 The Grounds maintenance contract was successfully reprocured late last year following performance issues with the outgoing contractor. In January this year, the Council negotiated financial compensation from the outgoing contractor in respect of the Council's costs to reprocure the services.
- 4.7 Legal and procurement have also been assisting Joint Waste Solutions with contractual issues regarding the waste collection and street cleansing contract. Both teams have provided advice and guidance to help manage the contract and maintain a stable service.

5. Summary

- 5.1 As demonstrated in the report, services within the portfolio have faced significant challenges during the past year, as have many areas of the Council. The overall financial position of the Council has also come under pressure, not least due to the effects of the coronavirus pandemic. And while the high level, multi-year Spending Review is welcomed, it remains to be seen how the detail of this will flow through to the Council's individual funding levels in the Local Government Finance Settlement, the date for which is yet to be announced.
- 5.2 Despite these challenges, notable successes or improvements have been achieved such as:

- Within top 10 of Council's in England for collection of both Council Tax and NNDR (business rates) for 2019/20 and 2020/21
- Development of the Civica financial system to improve workflow and processes
- Notable successes, led by colleagues in the Legal team, in robust defence of claims by contractors and on-going contract management
- Improved process for the governance and monitoring of major programmes and capital projects

Annexes	None
Background Papers	Council Finance as at 30 September 2021 Annual Report on the Treasury Management Service and Actual Prudential Indicators for 2020/21 Half Year 2021-22 Report on Treasury Management – as reported to Performance and Finance Scrutiny Committee 10 th November 2021
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