

Report to Performance and Finance Scrutiny Committee

15 November 2023

Performance and Finance Executive Portfolio

Portfolio Holder: Councillor Leanne MacIntyre

Summary and purpose

To provide Performance and Finance Scrutiny Committee with an update on the Performance and Finance Executive Portfolio

1. Background and Supporting Information

1.1 The Performance and Finance Portfolio covers the following areas:

- Finance and Accountancy (budgets, treasury, accounting, AP/AR)
- Revenues and Benefits
- Procurement
- Financial Governance
- Performance Management

1.2 The Portfolio Holder is supported by two of the Council's senior managers, the Head of Human Resources, Performance and Communications (HR,P&C) and the Strategic Director Finance and Customer Services (F&CS) .

1.3 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 Business Rates (formerly National Non-Domestic Rates), providing housing benefits, paying suppliers, collecting income due to the Council and administering discounts, exemptions and reliefs, hardship funds and support to taxpayers and businesses.

1.4 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.

- 1.5 The Portfolio also looks at the Council's performance management systems, which focus on managing and monitoring the delivery of outcomes for communities against the Council's agreed aims and objectives.
- 1.6 In carrying out these functions, the portfolio has due regard to guidance and statutory regulation and the promotion of sound governance. The Finance service has a fiduciary duty to the local residents and businesses and is responsible for the long term sustainability of the Council.
- 1.7 An update on the work undertaken in the portfolio is set out in the report.

2. Finance and Accountancy

- 2.1 The Finance Team has recently been through a resourcing review as part of the Council's plans to stabilise its financial processes. The new agreed structure has eighteen staff headed up by the Strategic Finance Manager and comprising four teams: one that covers accountancy and corporate financial support (finance business partners), one that covers the technical accounting function (including capital and treasury) one that deals with financial transactions, banking, reconciliations, payments to creditors and income receipts (accounts payable and accounts receivable) and the operation and maintenance of the Council's core financial ledger system and its feeder systems, and the final team covers the Council's procurement and contract support function.
- 2.2 The service plays a key role in delivering the wider aims of the Council as set out in the new Five-Year Strategy, which was presented to Council for consideration in October 2021. It does this by working with all the services across the whole organisation to produce the financial budgets and plans that support delivery of the strategic aims of the five-year strategy and detailed actions within the annual and short-term plans. The Medium Term Financial Strategy (MTFS) sets an annual budget for the next financial year and a financial strategy that maintains the financial resilience and sustainability of the Council and by timely, open and transparent reporting of the finance position.
- 2.3 It also seeks to ensure the efficient and effective use of Council resources that offers value for money by maintaining a robust financial system, effective collection of sundry debt and prompt payments to our suppliers, along with quarterly monitoring reports to the elected members.

Treasury Management

- 2.4 The Council will continue to invest short-term surplus funds as well as managing the need to borrow to fund its capital acquisitions and ambitions (its capital financing requirement (CFR)). At the end of September 2023, the Council had around £15.5 million invested and a capital financing requirement of forecast to be £208 million at year end if the council spends £5.4m as forecast.

- 2.5 To support this, the Finance service enacts daily treasury activities and dealing to ensure the Council has the funds in place to support its day-to-day operations, whilst investing surpluses with due regard to the safety of the funds ('security'), the need for the monies to be available ('liquidity') and making the best return ('yield') – all investments are made in accordance with these principles and in the priority as they are listed.

Transactions Team

- 2.6 As mentioned above, the transactions team operate the Council's accounts payable and receivable systems. This year the team have continued to implement several changes to processes, controls and systems to make the process simpler for the user services, deliver time efficiencies and importantly improve controls. Examples include removal of the need for service authorisation on creditor invoices - where purchase orders and the goods/services have been received and these match the invoice, the proper invoice will be paid without further referral to the service, therefore saving time for not only the transaction team but importantly for officers across the council whilst maintaining sound financial control. The team continues to work with ICT to develop electronic request forms for payments, that workflow for efficient authorisation and makes the process more efficient.
- 2.7 New Software was acquired and implemented to strengthen controls around the prevention of duplicate invoices/payments, and this is proving effective. The team are also in the process of implementing the Civica 'cashbook' financial software to bring in new processes and ensure our record keeping is fully integrated to the ledger system.
- 2.8 The team has been working with the Director of Finance and Customer Services to improve the control of sundry debts over the past twelve months. Part of this has required the write off of some historic debt that has been deemed uncollectable under legislation.

Budget monitoring and current financial position

- 2.9 The Finance service report the budget monitoring position on both Revenue and Capital to both this Committee and the Executive on a quarterly basis; the Quarter 2 Budget monitoring position is reported elsewhere on the agenda of this committee and to save duplication it is not reproduced here.
- 2.10 The Council has introduced strengthened governance and monitoring arrangements for both its commercial property projects 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 and through the various working groups.

- 2.11 The department is looking to arrange further finance training for non-finance managers in conjunction with either CIPFA or Surrey Learning, to facilitate sound financial management across all the sectors of the Council. The Strategic Director is also willing to provide an overview to any Councillor who requires it and it will follow on from that presented during the new member induction process carried out earlier this year in May.

External Audit and Accounts

- 2.12 The finance service re-issued the amended draft financial statements for 2019/20 in October this year; these were published on our website and were re-submitted to BDO who are our external auditors. Any auditor queries on these accounts that we receive are dealt with straight away. The accounts are with BDO pending their fieldwork (anticipated to have been this month, but no indication at this point when; it is thought that the auditors are waiting on the announcement from DLUHC following their consultation on the process for resolving the national backlog. Unfortunately, it is unlikely that the auditor will be able to issue their opinion on the accounts at the Audit, Standards and Risk Committee meeting scheduled for next month.
- 2.13 The 2020/21, 2021/22 and 2022/23 draft accounts (including working papers) are being prepared and will be published in draft form over the coming months.
- 2.14 It is considered likely that, following any announcement from DLUHC, the auditors will issue a disclaimed opinion on the outstanding accounts.
- 2.15 There are well-documented issues with the delays in auditing of the accounts of public bodies and this has led to over 170 recommendations emerging from various Government reviews alongside very visible signs that local audit is under stress. The review by Sir Tony Redmond made 23 primary recommendations, and the key one of these setting the Financial Reporting Council (FRC) as the body responsible for public sector audit has been enacted and will pre-empt an improvement in audit delivery.
- 2.16 Reasons cited by audit firms across the sector (and not just in relation to the Council's own audit) are:
- a chronic shortage of all levels of audit staff with the requisite skills and experience.
 - more demanding regulatory requirements which increase the time and effort needed for an audit.
 - making the individual who signs the audit **personally** liable for the audit statement.
 - local bodies entering more frequently into innovative transactions that require more complex and complicated accounting treatment and reporting.
 - capacity shortages in councils' finance 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.

2.17 For the financial year 2023/24 (ie: from the accounts starting 1 April 2023) Grant Thornton have been appointed by the Public Sector Audit Appointments (PSAA) as the external audit partner for the Council, replacing BDO.

2024/25 Budget and Medium-Term Financial Strategy (MTFS)

2.18 The forecasted outturn for 2023/24 will feed into the preparation of the 2024/25 budget and the MTFS to 2027/28, which is already underway. A key element of this, will be building assumptions around the state of the national and local economies as well as the Council's own income streams.

2.19 Inflation (as measured by the Consumer Price Index (CPI)) rose significantly over the past 12-18 months and will continue to remain higher than previously, although indications and predictions are that it will fall in the next few months. These are important factors that have caused future cost pressures on the Council's already stretched budget.

2.20 The Bank of England (BoE) have been raising interest rates in their fight against inflationary pressures from their historic lows; the current bank rate is 5.25% and this is expected to either flatten or peak about 25-50 basis points (bps) higher the next few months, before an expected drop sometime in the first quarter of 2024/25.

2.21 An upside of the higher rates is that the Council receives better returns on its investment income however there is a downside that the cost of re-financing our short term borrowing costs will also increase. The Council is continuing to receive advice from its treasury advisors in this area.

2.22 There is still some uncertainty, towards local government funding, especially business rate retention. There is evidence that the business rate reset may be delayed a further year and some estimates are that the Fair Funding Review and the Business Rates review may now not be before 2026/27. The promised two-year settlement is now looking more unlikely following the changes in central government. The autumn budget statement is due to be made on 22 November 2023 that may provide further clarity on some of the key funding areas going forward. The provisional financial settlement for local government is anticipated to be given sometime in December.

2.23 The MTFS is closely aligned with the Council's Five-Year Strategy, its annual plan and the short-term plan. 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. The annual budget will support the annual plan and meetings are already arranged with Portfolio Holders to review their part of the plan and identify any budget efficiencies and pressures.

Procurement and Contract Management

2.24 The procurement officer is currently a singleton post within the Council that supports the various services in their procurement exercises and ensures compliance with both the statutory legislation: Public Contract Regulations 2015 (PCR 15) and in accordance with the Council's financial and contract regulations.

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 District (BID) levy in respect of Collectively Camberley Limited who administer the town centre BID.

3.2 The team assess entitlement to support and 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.

3.3 The collection of overpaid Housing Benefit is carried out by the team.

3.4 The team assess applications made to the Exceptional Hardship fund which exists to help residents meet their council tax payments.

3.5 During this financial year, the Government placed the responsibility for making the payments of help with the energy cost for those not connected directly to the energy network. These payments were made at two rates, £400 or £200 as one-off amounts. Revenues paid out £103,000 to 311 individuals.

3.6 The team has 23 members of staff, equating to 18.9 full time equivalents including two full time apprentices.

3.7 Some statistics. The Borough has:

- There are as at 06 November 2023, 38,505 domestic properties with an official valuation band.
- 2023/24 properties taxbase of Band D equivalent was 39,613.4 and forecast for 2024/25 is 39,749.49
- There are a further 40 domestic properties awaiting valuation where a provisional band has been set (the revenues team leader sets the provisional band pending the VOA assessment)
- The net collectable council tax debit for 2023/24 is **£90.5 million** (2022/23 was £86.7 million).
- There are 2,970 commercial properties (hereditaments) with a total rateable value of just over **£94 million**. (2022/23 was 2,958 and £96 million).
- Net collectable business rates of **£32.1 million** for 2023/24
- 1,467 Housing Benefit claimants (2022/23 was 1,514)

- 2,318 Local Council Tax Support claimants (2022/23 was 2,291)
- A Business Improvement District with 377 properties and a net collectable BID levy of £207,702 (levy in 2022/23 was £215,123). Please note the BID year runs from 19 October each year.

3.8 Within the 2023/24 Annual Plan, the Revenues and Benefits team have strategic aim targets and the progress to date is as follows:

- Benefits Processing – new Housing Benefit claims
Target – to process in 20 days or less
Current performance is 21.6 days based on 121 claims
- Benefits processing – changes Housing Benefit
Target – to process in 10 days or less
Current performance is 3.2 days based on 6,507 changes
- Local Council Tax Support Scheme – a banded scheme for the working age was introduced 1 April 2022. Current council tax foregone in respect of all claims is £3.4m
This has been proposed to remain unchanged in the Council Tax Base report to be considered at Council in December.
- Business Improvement District – regular liaison meeting
Target – quarterly
The Revenues manager/Team Leader are not currently invited to the meetings by Collectively Camberley Ltd, but it is anticipated that this will start to happen in the next few months.
- Revenues and Benefits – Citizens Access products for revenues, benefits and landlords have been implemented.
Council tax – 3,060 successful transactions submitted since 1 April 2023. 1332 new online account created
Benefits – 181 transactions, with over 1200 visits to check income and capital in their claims.
Landlord Portal – all landlord payment schedules will be delivered online by 31 December 2023
- Council Tax collection
Target – 98.50% in year collection
Current position as at 5 November 2023 is 73.9% - £66.9 million out of £90.5 million.
- Business rate collection
Target – 98.50% in year collection
- Current position as at 5 November 2023 is 71.6% collected - £23.0 million out of £32.1 million.
- Collectively Camberley BID Levy collection
97.8% collected for 2022/23 (£4,443.08 outstanding)

Last year, 2022/23 the revenues team were ranked as the 5th highest in the country for business rates collection (top collected 0.02% more) and in the top seventeen for

Council tax collection – each one per cent of extra Council Tax gained or lost is worth £99,550 to Surrey Heath and £687,800 to the County.

4. Performance Management

- 4.1 The performance management function sits within the Organisational Development. The team has 3 permanent members of staff (2.27 FTE), and also supports the Council's graduate trainees who rotate placements across services in the Council. The team delivers functions across a number of other portfolios including learning and career development, staff engagement, wellbeing, strategic and annual planning, project management, talent management (including apprenticeships, internship and graduate programmes), mandatory training and CPD, continuous improvement including the LGA peer challenge and quality management approach.
- 4.2 Progress against the projects and targets set in the Council's Annual Plan, and latterly the Short Term Plan, are monitored on a regular basis, and reported to the Performance & Finance Scrutiny Committee and the Executive at mid-year and year end.
- 4.3 The team also deliver the Council's appraisal process which ensures the golden thread between the Council's strategic objectives and individual goals and targets – linked to the Council's values and behaviours which were agreed with staff in 2022.
- 4.4 The team are working to further develop the accessible and visual presentation of performance information for residents and Members and extend the use of internal and external benchmarking, with an initial focus on the 2023/24 end of year report following the end of this financial year.