

FINANCE, EFFICIENCY & ASSETS PORTFOLIO

Portfolio Holder: Councillor Maggie Wright

Senior Officers: Director of People & Finance, Strategic Manager – People, Performance & Assets

Portfolio Total

	2016/17 Approved Budget [A]	2016/17 Revised Estimate [B]	2017/18 Proposed Budget [C]	Variance [C] - [A]	Variance [C] - [B]
1. Establishment Costs	£599,909	£601,939	£623,643	£23,734 3.96%	£21,704 3.61%
2. Other Gross Direct Expenditure	£1,568,330	£1,524,408	£1,547,946	-£20,384 -1.30%	£23,538 1.54%
3. Direct Income	-£559,089	-£498,636	-£440,761	£118,328 -21.16%	£57,875 -11.61%
4. Net Direct Expenditure	£1,609,150	£1,627,711	£1,730,828	£121,678 7.56%	£103,117 6.34%
5. Overall No. of Posts (FTE)	15.64	15.64	15.64	0.00 0.00%	0.00 0.00%

Financial Services

	2016/17 Approved Budget	2016/17 Revised Estimate	2017/18 Proposed Budget	Variance [C] - [A]	Variance [C] - [B]
	[A]	[B]	[C]		
1. Establishment Costs	£376,838	£378,868	£394,944	£18,106 4.80%	£16,076 4.24%
2. Other Gross Direct Expenditure	£851,712	£764,443	£815,175	£36,537 -4.29%	£50,732 6.64%
3. Direct Income	£210,156	£142,156	£97,334	£112,822 -53.68%	£44,822 -31.53%
4. Net Direct Expenditure	£1,018,394	£1,001,155	£1,112,785	£94,391 9.27%	£111,630 11.15%
5. Overall No. of Posts (FTE)	10.30	10.30	10.30	0.00 0.00%	0.00 0.00%

Reasons for Variances

1. Establishment Costs – 2017/18 allows for a 1% pay award, contractual increments where applicable, and increases in employer’s national insurance and pension contributions.
2. Interest payable on borrowing has reduced by £71,000 in 2016/17 and is expected to rise again by only £18,000 in 2017/18. This is due to the fact that the Council does not currently need to take out external loans to finance its capital expenditure. Instead, due to the healthy state of balances and reserves, we are effectively borrowing internally which reduces the “cost of carry”.
3. Investment income has reduced considerably in 2016/17 due to a fall in the Bank of England base rate following the EU Referendum. There remains a possibility of further cuts to the base rate and this has been reflected in the 2017/18 budget.
4. Net impact of variances listed above.
5. No change.

Audit & Fraud

Audit & Fraud	2016/17 Approved Budget	2016/17 Revised Estimate	2017/18 Proposed Budget	Variance [C] - [A]	Variance [C] - [B]
	[A]	[B]	[C]		
1. Establishment Costs	£0	£0	£0	£0 0.00%	£0 0.00%
2. Other Gross Direct Expenditure	£139,477	£134,314	£122,702	-£16,775 -12.03%	-£11,612 -8.65%
3. Direct Income	£0	£0	£0	£0 0.00%	£0 0.00%
4. Net Direct Expenditure	£139,477	£134,314	£122,702	-£16,775 -12.03%	-£11,612 -8.65%
5. Overall No. of Posts (FTE)	0.00	0.00	0.00	0.00 0.00%	0.00 0.00%

Reasons for Variances

1. No establishment costs applicable to this service.
2. Other gross direct expenditure has fallen due to the transfer of the former Fraud Investigations Officer to the Department for Works and Pensions. A small provision has been maintained within the budget to allow for buying in services as and when needed.
3. Not applicable.
4. See note 2 above.
5. Not applicable.

Assets

	2016/17 Approved Budget	2016/17 Revised Estimate	2017/18 Proposed Budget	Variance [C] - [A]	Variance [C] - [B]
	[A]	[B]	[C]		
1. Establishment Costs	£223,071	£223,071	£228,699	£5,628 2.52%	£5,628 2.52%
2. Other Gross Direct Expenditure	£577,141	£625,651	£610,069	£32,928 5.71%	-£15,582 -2.49%
3. Direct Income	-£348,933	-£356,480	-£343,427	£5,506 -1.58%	£13,053 -3.66%
4. Net Direct Expenditure	£451,279	£492,242	£495,341	£44,062 9.76%	£3,099 0.63%
5. Overall No. of Posts (FTE)	5.34	5.34	5.34	0.00 0.00%	0.00 0.00%

Reasons for Variances

1. Establishment Costs – 2017/18 allows for a 1% pay award, contractual increments where applicable, and increases in employer's national insurance and pension contributions.
2. Other gross direct expenditure includes a reduction in gas and electricity costs of around £27,000, which reflects the level of expenditure in 2015/16 and the current year to date. However, against this the Council is facing an increase in business rates on its own assets following the recent 2017 Revaluation exercise, and the move to the new depot.
3. Loss of rent income for the Littlethorpe Depot following EMH Housing moving out, offset by some minor additions such as rent income from the Meadows Sportsground.
4. Net impact of variances listed above.
5. No change.

Portfolio Priorities

- Maximising the use of the council's assets.
- To lead the Council through the financial challenges in 2017/18 and beyond.
- Understand costs and deliver a responsive, cost effective and high quality financial service.
- Instilling principles of good, sustainable procurement.
- Continue a culture of transparency with emphasis on financial control, audit, with regard for the prevention of fraud and management of risk.

Services

Financial Services

The Finance team is responsible for the provision and monitoring of financial information to maintain control of the Council's finances. The team also prepares the annual accounts, and looks after various other functions including treasury management, insurance, payroll, procurement, and payment of supplier invoices.

Assets

This includes costs for the Council Offices and the Depot, both old and new, including the facilities management and maintenance of the buildings and the associated grounds maintenance. Also includes costs incurred for Leisure Centre buildings, public conveniences, caravan site, bus shelters, tree works on open spaces and cemeteries, Enderby Road Industrial Estate and costs associated with the administration of property and assets owned by the Council. The team also administers Asset of Community Value applications made by residents.

Audit and Fraud

This includes the delivery of fraud initiatives across the Council, as well as external and internal audit services. Internal Audit Services is currently provided by North West Leicestershire as part of a shared service arrangement.

Key Points

Doing things differently – plans for the coming year	<u>Financial Services</u> <ul style="list-style-type: none">• The Accounts and Audit Regulations 2015 require an acceleration in the arrangements for the closedown of the Council's accounts from 2017/18. The Finance team will therefore be preparing for this change by starting to bring forward some of the timescales for the production of the statutory accounts.• The 2017 Rating Revaluation and the forthcoming changes to the Business Rates Retention scheme will have a significant impact on the Council's future funding stream. The Finance team will be closely monitoring developments to ensure that the impact is promptly reflected in the Medium Term Financial
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	<p>Strategy (MTFS).</p> <p><u>Assets</u></p> <ul style="list-style-type: none"> • The creation of new build houses will continue to be a priority for the Assets team during 2017/18. • Officers of the Asset team will continue to feed into the transformation initiative which is considering how the Council can optimise the use of the building with officers working more flexibly and technology enabling them to do so. Consideration for maximising the use of the building will be planned in conjunction with the refurbishment plans for the Council offices and Council Chamber. • The Assets team are leading on the decommissioning and demolition of the existing depot building in Littlethorpe and securing planning permission for future residential use. • Procurement processes for concessions contracts for the placement of adverts on our bus shelters and the management of Enderby Road Industrial Estate are also planned to occur during 2017/18, allowing for income generation and efficient use of our assets. <p><u>Audit</u></p> <ul style="list-style-type: none"> • The Internal Audit Shared Service will continue to comply with the Public Sector Internal Audit Standards. The annual audit plan and individual audit programmes will be developed using a risk based approach. This will ensure that our resources are focussed on the areas of highest risk across the council so that our assurance work adds value. • The audit plan will include planned and ad-hoc advisory work so that the Internal Audit team can support new developments across the Council, and try to ensure that appropriate controls are built into new systems and ways of working.
Income generation	<p>Within the Finance, Assets & Efficiency portfolio there is little scope to significantly improve income streams because of the nature of the portfolio.</p> <ul style="list-style-type: none"> • Support will be provided however in assessing investment opportunities open to the Council, including the creation of new build houses. • The utilisation of the Council's assets to obtain revenue or improve usage is an ongoing initiative. The lease of the Council offices to Nottingham Health Trust, Narborough Parish Council and Citizens Advice Bureau not only bring revenue opportunities but also better outcomes for our customers with partners such as these delivering services alongside the Authorities own officers. • Elements of income generation are also obtained via leased rental agreements on the Enderby Road Industrial Estate, Countesthorpe Mobile Home Site and The Grange in

	Narborough.
Capital plans for the portfolio	<p>Development of the current Council offices (in particular the Council Chamber, Brooks Room and Members Room) will be finalised during 2017/18 and details of this will be submitted for Council approval during the next year.</p> <p>The new depot expenditure authorised by Council will continue during the year until completion. This includes the forthcoming demolition and maintenance until the future use of the site has been determined.</p>

Key Performance Indicators

PERFORMANCE INDICATOR – FINANCE	2016 QTR3	2015 QTR3	Full Year 2015	Full Year 2014	COMMENTS
Invoices Paid within 30 days	98.53%	97.92%	98.06%	97.30%	The Council recognises the need to pay invoices promptly. 2016 QTR 3 figures show that 91.37% of invoices are paid within 10 days of receipt.

Customers

The Finance team's external customers include suppliers who invoice the Council for goods and services, and companies and individuals who owe the Council money. Otherwise, the team's customers are largely internal, i.e. colleagues from other service areas, and Members.

The Assets team has a variety of different customers, both internal and external. These include for example requests from staff and managers for amendments to the building and office layout, links to the Health & Recreation team and Neighbourhood Services on the management and maintenance of our Open Spaces, local businesses in respect of the Enderby Road Industrial Estate and also Parish councils and a variety of legal representatives. Internally the team provides professional property advice as required. The team also has a clear responsibility to ensure that all council buildings are accessible and meet the wide needs of residents who visit the offices.

Channel Shift

The Assets team has regularly developed processes that are in the spirit of Channel Shift. These have historically included the development of an internal room booking system via Microsoft Outlook calendars and this look to be redeveloped as part of the new staff intranet in 2017. Recently this has also increased to include the development of on-line forms such

as nominations for Assets of Community Value, which now can be made via our internet webpage.

The Finance team has worked closely with Revenues and Benefits throughout the course of the Bubble Project to strengthen and streamline the process for payment of Council Tax and Business Rates refunds. The team also regularly encourages suppliers to move from payment by cheque to payment by BACS, which is a more time efficient and a less costly payment method for the Council.

Risks

A full risk register is maintained on InPhase in relation to the teams, and is regularly reviewed to ensure its accuracy. However, significant potential risks include the following issues:

- **Overall Financial Risk** – The financial risks facing the Council are not necessarily specific to this portfolio however the Finance team's input into financial issues across many aspects of the Council will continue. Officers work closely with the various departments to monitor budgets but also to provide sound financial input into all decisions that have financial implications.
- **Business Rate Retention** – the introduction of the Business Rate Retention Scheme saw an element of the financial risk of decreases in business rates being borne by the Council. The appeals put forward to the Valuation Office have provided uncertainty for all Councils, but it is hoped that this risk is reducing. Future changes to the Business Rate Retention Scheme, and the potential for a large business property to be made vacant, are both potential financial risks to the Council.
- **Debt** – the economic climate and Welfare Reform continues to affect our customers and debt may increasingly become an issue. The Council continues to provide for debt that has aged or appears likely to become bad to even out the financial impact of debt issues.
- **Assets** – a failure to effectively manage our assets could result in a loss of income streams and an increased in associated legal costs.
- **Audit** – insufficient resources to complete the audit plan due to unplanned corporate/fraud work or long term staff absences. As the service is provided through a shared service arrangement there is a risk that either side may want to withdraw from the arrangement.