

FINANCE, EFFICIENCY & ASSETS PORTFOLIO

Portfolio Holder: Councillor Maggie Wright

Senior Officers: Strategic Director (S151), Neighbourhood Services & Assets Group Manager, Strategic Finance Manager

Portfolio Total

	2017/18 Approved Budget [A]	2017/18 Revised Estimate [B]	2018/19 Proposed Budget [C]	Variance [C] - [A]	Variance [C] - [B]
1. Establishment Costs	£623,643	£677,683	£814,656	£191,013 30.63%	£136,973 20.21%
2. Other Gross Direct Expenditure	£1,529,906	£1,608,826	£1,554,958	£25,052 1.64%	-£53,868 -3.35%
3. Direct Income	-£440,761	-£466,291	-£457,738	-£16,977 3.85%	£8,553 -1.83%
4. Net Direct Expenditure	£1,712,788	£1,820,218	£1,911,876	£199,088 11.62%	£91,658 5.04%
5. Overall No. of Posts (FTE)	15.64	17.24	21.11	5.47 34.97%	3.87 22.47%

Financial Services

	2017/18 Approved Budget	2017/18 Revised Estimate	2018/19 Proposed Budget	Variance [C] - [A]	Variance [C] - [B]
	[A]	[B]	[C]		
1. Establishment Costs	£394,944	£386,151	£400,704	£5,760 1.46%	£14,553 3.77%
2. Other Gross Direct Expenditure	£816,904	£788,340	£829,097	£12,193 1.49%	£40,757 5.17%
3. Direct Income	-£97,334	-£84,612	-£81,000	£16,334 -16.78%	£3,612 -4.27%
4. Net Direct Expenditure	£1,114,514	£1,089,879	£1,148,801	£34,287 3.08%	£58,922 5.41%
5. Overall No. of Posts (FTE)	10.30	9.96	9.96	-0.34 -3.30%	0.00 0.00%

Reasons for Variances

1. Establishment Costs – 2018/19 budget allows for a 1% pay award, contractual increments where applicable, and increases in employer's national insurance and pension contributions. Also reflects the financial implications of the senior management restructure.
2. Other Gross Direct Expenditure – the main variances here are a small increase in the membership subscription of the Welland Procurement Unit, the estimated increase in insurance premiums in respect of cover of the Council's assets and services, and loan interest payable. Interest payable on borrowing has reduced by £26,000 in 2017/18 and is budgeted to rise again by around £23,000 in 2018/19. 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 following the maturity of the deposits in the Local Authority Mortgage Scheme.
4. Net impact of variances listed above.
5. Minor change due to a restructure of the Finance Team effective from June 2017.

Recovery Team

	2017/18 Approved Budget [A]	2017/18 Revised Estimate [B]	2018/19 Proposed Budget [C]	Variance [C] - [A]	Variance [C] - [B]
1. Establishment Costs	£0	£59,890	£182,004	£182,004 0.00%	£122,114 203.90%
2. Other Gross Direct Expenditure	£0	£0	£0	£0 0.00%	£0 0.00%
3. Direct Income	£0	£0	£0	£0 0.00%	£0 0.00%
4. Net Direct Expenditure	£0	£59,890	£182,004	£182,004 0.00%	£122,114 203.90%
5. Overall No. of Posts (FTE)	0.00	1.94	5.81	5.81 0.00%	3.87 200.00%

Reasons for Variances

1. Establishment Costs – 2018/19 budget allows for a 1% pay award, contractual increments where applicable, and increases in employer's national insurance and pension contributions. The Recovery Team was transferred from Revenues & Benefits to Finance on 1st December 2017. The revised estimate for 2017/18, therefore, only reflects four months cost to this portfolio.
2. Other Gross Direct Expenditure – to be disaggregated from Revenues & Benefits.
3. See 2 above.
4. Net impact of variances listed above.
5. 5.81 FTEs transferred across on 1st December 2017..

Audit & Fraud

Audit & Fraud	2017/18 Approved Budget	2017/18 Revised Estimate	2018/19 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	£122,702	£127,025	£134,278	£11,576 9.43%	£7,253 5.71%
3. Direct Income	£0	£0	£0	£0 0.00%	£0 0.00%
4. Net Direct Expenditure	£122,702	£127,025	£134,278	£11,576 9.43%	£7,253 5.71%
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. The increase is largely due to a temporary increase in the cost of the Internal Audit Shared Service to allow for maternity cover.
3. Not applicable.
4. See note 2 above.
5. Not applicable.

Assets

	2017/18 Approved Budget	2017/18 Revised Estimate	2018/19 Proposed Budget	Variance [C] - [A]	Variance [C] - [B]
	[A]	[B]	[C]		
1. Establishment Costs	£228,699	£231,642	£231,948	£3,249 1.42%	£306 0.13%
2. Other Gross Direct Expenditure	£590,300	£693,461	£591,583	£1,283 0.22%	-£101,878 -14.69%
3. Direct Income	-£343,427	-£381,679	-£376,738	-£33,311 9.70%	£4,941 -1.29%
4. Net Direct Expenditure	£475,572	£543,424	£446,793	-£28,779 -6.05%	-£96,631 -17.78%
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 – 2018/19 budget allows for a 1% pay award, contractual increments where applicable, and increases in employer's national insurance and pension contributions.
2. The 2017/18 Revised Estimate for other gross direct expenditure includes unspent budget provision brought forward from 2016/17 to cover planned cleaning works on bus shelters and repairs to heaters in the Pavilion Sports Hall. It also includes budget provision of just over £42,000, previously approved by Cabinet Executive, to be spent on preparatory costs in relation to the joint venture housing development on the former Littlethorpe Depot site.
3. Increase in anticipated rent income in respect of the Enderby Road Industrial Estate.
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.
- To maximise income collection and recovery of outstanding debt.

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.

Recovery

The Recovery team previously formed part of the Revenues and Benefits service and transferred to Finance on 1st December 2017. The team is responsible for maximising income generation in respect of council tax, business rates, and overpayment of housing benefits, in terms of the collection of unpaid debt. Following the delivery of the Council's new Corporate Debt Principles, this remit will be extended to cover all outstanding debt to ensure a consistent approach to debt recovery across the Council. The Income and Debt Manager also ensures all guidance in relation to fraud is up to date and procedures are in place to prevent fraud across the Council.

Key Points

<p>Doing things differently – plans for the coming year</p>	<p><u>Financial Services</u></p> <ul style="list-style-type: none">• The Accounts and Audit Regulations 2015 require the earlier closedown of the Council's accounts from 2017/18. The Finance team achieved the earlier closedown deadline of 31st May for the 2016/17 Accounts, which puts the Council in a strong position to achieve the new statutory deadline going forward.• 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 Strategy (MTFS). <p><u>Assets</u></p> <ul style="list-style-type: none">• The creation of new build houses on the former Littlethorpe Depot site is a priority for the Assets team during 2018/19.• The Assets team have produced a three year plan for refurbishment of the Council Offices. Phase 1 of this plan has already been approved by Council and the team will look to deliver this during 2018/19.• Procurement processes for concessions contracts for the placement of adverts on our bus shelters, office cleaning, and the management of Enderby Road Industrial Estate are planned to be undertaken during 2018/19.• The Council has been made aware that the Natwest Bank in Narborough will close and therefore the asset team will be negotiating the exit and determining the future use of The Grange, Narborough which is owned by the Council. <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.
<p>Income generation</p>	<p>Within the Finance, Assets & Efficiency portfolio there is little scope to significantly improve income streams without capital investment in the asset portfolio. We are currently awaiting revised guidance as to</p>

	<p>how the Council's may utilise borrowing, before assessing options for the Council to borrow to maximise income.</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 our own officers. The office refurbishment project will potentially help to provide further opportunities to rent out office space to partners. • Elements of income generation are also obtained via leased rental agreements on the Enderby Road Industrial Estate, and Countesthorpe Mobile Home Site.
Capital plans for the portfolio	<p>Development of the current Council Offices (in particular the Council Chamber, Brooks Room and Members Room) are included in the 2018/19 Capital Programme.</p> <p>Development of the former depot site at Littlethorpe is also planned to commence in 2018/19, and will be incorporated in the Capital Programme once the procurement exercise has been completed.</p>

Key Performance Indicators

PERFORMANCE INDICATOR – FINANCE	2017 QTR3	2016 QTR3	Full Year 2016	Full Year 2015	COMMENTS
Invoices Paid within 30 days	98.14%	98.53%	98.98%	98.06%	The Council recognises the need to pay invoices promptly. 2017 QTR 3 figures show that 90.35% 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 changes to the layout of the offices, 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 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 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 but the Finance team's input into financial issues across all aspects of the Council's services will continue. Officers work closely with the various services 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, and the introduction of the new Rating List from 1st April 2017, together with associated changes to the process by which businesses submit appeals, has only added to this uncertainty. 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.