

Without a doubt the biggest priority for my Portfolio is “**to lead the Council through the financial challenges in 2020/21 and beyond**”. The Financial Services team continue to work across all departments of the Council to ensure budgets are closely monitored and achieved. Audit and Fraud Services ensure our resources are concentrated on the areas of highest risk and our Income and Collections team maximise income collection through continually refreshed Debt policies and principles. These practices and their robustness are even more crucial going forward to ensure we stay on track and remain sustainable as a Council.

I was delighted to hear that the Leicestershire bid for the 75% Business Rate Pilot had been successful. Christmas had come early! Blaby’s expected share is approx. £400k of additional funding. The annual government settlement was as expected, with the New Homes Bonus baseline staying the same at 0.4% for 2019/20 and the Council Tax thresholds remaining constant with the exception of the Police. However, my glee was short lived when I realised that beyond 2019/20 the Council will face the significant challenges of the Fair Funding Review, the reform of Business Rate Retention and the fact that in the future we may lose the growth element of New Homes Bonus - all major funding streams for the Council. Council Tax is expected to rise for our residents as we and other preceptors consider increases to meet service demand and future uncertainty. An impact that may be reflected on collection rates and on debt collection.

Our biggest challenge is predicting a secure and accurate MTFs through such uncertainty and unknowns. Without this platform it will be difficult to plan and deliver services. Operationally, another major challenge will be procuring the replacement of a number of key financial systems again detailed in the report.

As well as delivering a responsive and high-quality financial service we must continue to **maximise the Council’s assets**. The relatively new Asset Team is identifying efficiencies and potential income generation, in addition to the day job of running operational buildings. A few examples include, the office refurbishment, disposal of sites for self-build opportunities, the Littlethorpe development site, seeking opportunities for “The Grange” (ex Nat West Bank property), transfers and disposals to Parish Councils, lease occupancy of the building, bus shelter advertising contracts, an Acquisitions and Disposal strategy, procuring a cleaning contract and developing an Assets Management Plan.

Looking beyond 2019/20 and predicting the accurate financial position of the Council is going to be challenging and will be reliant upon detailed information being released to be in a position to update the MTFs.

Portfolio Holder: Councillor Maggie Wright

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

Portfolio Total

	2018/19 Approved Budget	2018/19 Revised Estimate	2019/20 Proposed Budget	Variance [C] - [A]	Variance [C] - [B]
	[A]	[B]	[C]		
1. Establishment Costs	£814,656	£797,128	£770,376	-£44,280 -5.44%	-£26,752 -3.36%
2. Other Gross Direct Expenditure	£1,560,354	£1,671,021	£1,606,878	£46,524 2.98%	-£64,143 -3.84%
3. Direct Income	-£457,738	-£682,495	-£669,224	-£211,486 46.20%	£13,271 -1.94%
4. Net Direct Expenditure	£1,917,272	£1,785,654	£1,708,030	-£209,242 -10.91%	-£77,624 -4.35%
5. Overall No. of Posts (FTE)	21.71	20.55	20.55	-1.16 -5.34%	0.00 0.00%

Financial Services

	2018/19 Approved Budget	2018/19 Revised Estimate	2019/20 Proposed Budget	Variance [C] - [A]	Variance [C] - [B]
	[A]	[B]	[C]		
1. Establishment Costs	£400,704	£395,707	£401,555	£851 0.21%	£5,848 1.48%
2. Other Gross Direct Expenditure	£834,493	£842,253	£936,579	£102,086 12.23%	£94,326 11.20%
3. Direct Income	-£81,000	-£150,500	-£150,500	-£69,500 85.80%	£0 0.00%
4. Net Direct Expenditure	£1,154,197	£1,087,460	£1,187,634	£33,437 2.90%	£100,174 9.21%
5. Overall No. of Posts (FTE)	10.56	9.55	9.55	-1.01 -9.56%	0.00 0.00%

Reasons for Variances

1. The 2019/20 Establishment budget takes account of the new pay spine effective from 1st April 2019, contractual increments where applicable, and increases to employer's national insurance and pension contributions. Apprentice post removed.
2. Other Gross Direct Expenditure – the main variances include an estimated increase in insurance premiums as a result of entering into a new long term contract, and IT software maintenance arising from the extension of the current contract for provision of the financial management system. The 2019/20 budget allows for six months loan interest applicable to the £5m capital investment in our leisure centres.
3. Investment income has increased significantly due to increases in the Bank of England base rate, and the healthy state of our reserves and balances.
4. Net impact of variances listed above.
5. Apprentice post removed from structure in 2019/20.

Income & Collections Team

	2018/19 Approved Budget	2018/19 Revised Estimate	2019/20 Proposed Budget	Variance [C] - [A]	Variance [C] - [B]
	[A]	[B]	[C]		
1. Establishment Costs	£182,004	£180,900	£205,124	£23,120 12.70%	£24,224 13.39%
2. Other Gross Direct Expenditure	£0	£29,816	£29,191	£29,191 0.00%	-£625 -2.10%
3. Direct Income	£0	-£162,300	-£162,300	-£162,300 0.00%	£0 0.00%
4. Net Direct Expenditure	£182,004	£48,416	£72,015	-£109,989 -60.43%	£23,599 48.74%
5. Overall No. of Posts (FTE)	5.81	7.00	7.00	1.19 20.48%	0.00 0.00%

Reasons for Variances

1. The 2019/20 Establishment budget takes account of the new pay spine effective from 1st April 2019, contractual increments where applicable, and increases to employer's national insurance and pension contributions. Apprentice post added along with a change to job share arrangements funded from Finance savings above.
2. Other Gross Direct Expenditure – various budgets transferred from the Revenues & Benefits Team, including court fees, postages and other office expenses.
3. Recovery of summons and liability costs, transferred from Revenues & Benefits.
4. Net impact of variances listed above.
5. See 1 above – new Apprentice post and job share resulting in an increase in FTEs.

Audit & Fraud

Audit & Fraud	2018/19 Approved Budget	2018/19 Revised Estimate	2019/20 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	£134,278	£117,928	£109,500	£-24,778 -18.45%	£-8,428 -7.15%
3. Direct Income	£0	£0	£0	£0 0.00%	£0 0.00%
4. Net Direct Expenditure	£134,278	£117,928	£109,500	£-24,778 -18.45%	£-8,428 -7.15%
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. Anticipated reduction in external audit fees following move to new contract.
3. Not applicable.
4. See note 2 above.
5. Not applicable.

Assets

	2018/19 Approved Budget	2018/19 Revised Estimate	2019/20 Proposed Budget	Variance [C] - [A]	Variance [C] - [B]
	[A]	[B]	[C]		
1. Establishment Costs	£231,948	£220,521	£163,697	-£68,251 -29.43%	-£56,824 -25.77%
2. Other Gross Direct Expenditure	£591,583	£681,024	£531,608	-£59,975 -10.14%	-£149,416 -21.94%
3. Direct Income	-£376,738	-£363,695	-£356,424	£20,314 -5.39%	£7,271 -2.00%
4. Net Direct Expenditure	£446,793	£537,850	£338,881	-£107,912 -24.15%	-£198,969 -36.99%
5. Overall No. of Posts (FTE)	5.34	4.00	4.00	-1.34 -25.09%	0.00 0.00%

Reasons for Variances

1. The 2019/20 Establishment budget takes account of the new pay spine effective from 1st April 2019, contractual increments where applicable, and increases to employer's national insurance and pension contributions. Assets & Open Spaces Manager transferred to Corporate Services & Neighbourhood Services (Open Spaces Team), and post of cleaner removed from the establishment.
2. The revised budget includes non-recurring expenditure brought forward from 2017/18. Both the revised budget and 2019/20 base budget also reflect the use of a contract cleaner for the Council Offices and Depot. Costs relating to the Pavilion have been removed from the 2019/20 budget as the service is transferring to SLM under the terms of the new leisure management contract.
3. Loss of income in respect of the Grange, Narborough..
4. Net impact of variances listed above.
5. The Assets & Open Spaces Manager has been transferred to the Parks & Open Spaces Team within Neighbourhood Services, and 0.34FTE Cleaner post has been deleted as reported to Council earlier this year.

Portfolio Priorities

- Maximising the use of the council's assets.
- To lead the Council through the financial challenges in 2019/20 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 (pending the award of the leisure management contract), 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.

Income & Collections

The Income & Collections 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 has been extended to cover all outstanding debt to ensure a consistent approach to debt recovery across the Council. The Council Tax 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 forthcoming changes to the Business Rates Retention scheme and the introduction of Fairer Funding are likely to 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).• The Finance team will shortly be undertaking a number of significant procurement exercises including the potential replacement of a number of key financial systems – the main Financial Management System, BACS payments and collections software, and the joint HR/Payroll System. <p><u>Assets</u></p> <ul style="list-style-type: none">• The Assets team will be completing the refurbishment of staff toilets and refresh of the civic chamber in the summer of 2019 before reviewing the next phase of improvements to office accommodation.• The Assets team will develop an accommodation plan to better utilise the existing space at the Council Offices including shared office space such as 'hot desking'.• A review of the process and development of strategy for managing the acquisitions and disposal of Council assets will be completed in 2019/20.• A competitive procurement process will be undertaken in 2019/20 for the cleaning of office accommodation including the Council and depot buildings. <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>	<ul style="list-style-type: none">• Within the Finance, Assets & Efficiency portfolio there is little scope to significantly improve income streams without capital investment in the asset portfolio. However, the Finance Team is working with the Council's treasury advisors to select a suitable property fund in which to invest a proportion of surplus funds in order to generate an increased rate of return.

	<ul style="list-style-type: none"> • Support will be provided 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, with the new multi use room scheduled to be completed early in 2019/20. • 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>Completion of the civic area, staff toilets, and a refresh of office accommodation are included in the 2019/20 Capital Programme.</p> <p>Commencement of three year plan to upgrade heating and lighting including replacement of boilers, pipework, and radiators that are at end of life will commence in 2019/20 and be completed in 2022 totalling £155,000.</p> <p>Resurfacing works within the St Johns car park in Blaby will take place during 2019/20 totalling £65,000.</p> <p>Capital plans for this portfolio also include the provision to review and replace the current HR and payroll systems. The HR and Payroll system is also detailed within the Leaders Portfolio given the functionality spans both Finance and HR.</p>

Key Performance Indicators

PERFORMANCE INDICATOR – FINANCE	2018/19 QTR3	2017/18 QTR3	Full Year 2017/18	Full Year 2016/17
Invoices Paid within 10 days	91.12%	92.39%	91.99%	92.53%

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 Income and Collection team has a variety of customers, mainly residents of the district and business rate payers who have incurred debts by not paying Council Tax, Non-Domestic Rates or Housing Benefit overpayments. These range from customers that owe small to very large amounts of money to the Authority. Some customers have other debts too so the team work at collecting payments from them in a manageable manner and signpost them to other agencies that can assist them. Often customers will have vulnerability issues that need addressing in other ways so key skills must be used when dealing with the debt collection.

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.

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.
- **Local Government Funding** – the Government is undertaking two major reviews of the Business Rates Retention Scheme, and the wider Fairer Funding mechanism. The results of both of these reviews are awaited but both pose a significant risk to the Council's future funding envelope.
- **Business Rates Appeals** – notwithstanding the ongoing review of the overall Business Rates Retention Scheme, the Council also faces a risk in terms of businesses registering appeals against their rateable value. Where these are successful the Council loses 40% of any reduction in rates payable, and the extent to which these appeals are submitted and upheld is outside of the Council's control.
- **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.