Report to the Council

Committee: **Cabinet** **Date: 26 July 2016**

Subject: **Finance Portfolio**

Portfolio Holder: **Councillor G Mohindra**

Recommending:

That the report of the Finance Portfolio Holder be noted

Accountancy

The Accountancy team are busy dealing with our external auditors as the audit of the draft Statutory Statement of Accounts is now underway. Once the audit has concluded the Accounts will be presented to Council on 27 September. The outturn reports for both revenue and capital were presented to the Finance and Performance Management Cabinet Committee on 16 June and the Resources Select Committee on 12 July. I do not want to repeat the contents of those reports but, as not all of you will have attended one of those meetings, it is worth giving you the headlines.

The revenue outturn showed that the Council had used more reserves than had been estimated. It was anticipated in the revised estimates that £1.674 million would be used from reserves, but the outturn actually saw £2.021 million of the General Fund balance being used. The total variance of £347,000 comprised of £435,000 of net expenditure above budget and £88,000 of additional income from Government Grants and Local Taxation. The in-year savings on the Continuing Services Budget (CSB) were £596,000 which was very close to the revised estimate of £634,000. There was a larger variance on the opening CSB which was £369,000 higher than predicted. The largest movement in the opening figures was in the provision for bad and doubtful debts, which included an increase to allow for a higher level of housing benefit overpayment debts.

It should be remembered that the gross expenditure budget is approximately £74 million so the overall variance is not significant. It is also worth highlighting that the use of reserves of £2.021 million was after charging £3.151 million of capital expenditure, so if we had decided to fund the capital expenditure in a different way the reserve could have increased by £1.13 million.

The outturn on the Housing Revenue Account was a surplus of £633,000. This was £716,000 better than the revised estimate, largely due to savings on revenue expenditure. Consequently the HRA revenue balance is higher than expected as is the balance on the Major Repairs Reserve. This will be reviewed when the financing of the capital programme for 2016/17 is considered. The combined balance on the Housing Repairs Fund, the Major Repairs Reserve and the HRA revenue balance is £16.21 million.

The capital outturn detailed spending of £37 million on a range of schemes, this was some £12.6 million below the revised estimate. The two largest areas of slippage on non-housing items were the purchase of land for the St Johns Road development

(£6,000,000) and works on the retail park (£2,076,000). Amounts of £9.2 million (General Fund) and £3.7 million (HRA) will be carried forward to 2016/17 to allow for completion of the various projects.

Having mentioned the outturn for 2015/16 I need to move on to the Council's budget for 2017/18. We will again start the budget cycle earlier by bringing forward the presentation of the Financial Issues Paper from the September meeting of the Finance and Performance Management Cabinet Committee to July. Last year this allowed for a wider consultation and consideration of the options to achieve the necessary savings. The extra meeting of the Cabinet Committee will take place on 14 July, after the deadline for the completion of this report but before Council, and the Financial Issues Paper will be presented to this meeting together with an update on the Medium Term Financial Strategy.

It will be some time yet before there is any clarity on the full economic consequences of the decision to leave the European Union. The Office for Budget Responsibility will not present their updated predictions until the autumn, although the Chancellor has already announced that his target date for a budget surplus of 2020 will not now be achievable. It is clear that further measures will be necessary to bring the public finances back into balance but this is likely to be a combination of increased taxation, reduced spending and additional borrowing. We will have a better idea of how these policy options will be combined once it is clear who will be the new occupants of 10 and 11 Downing Street.

Benefits

On 16 June the Finance Cabinet Committee received the outturns for the Key Performance Indicators for 2015/16. I am pleased to report that both the performance targets for Benefits were achieved. The improvement in the processing of new claims is worth mentioning as the target was made tougher in 2015/16 by reducing it from 25 to 22 days. Average performance of 21.76 days was achieved which beat this more challenging target. Changes of circumstance were processed in an average of 4.47 days which beat both the target of 6 days and last year's performance of 4.74 days.

Revenues

The Key Performance Indicators for Revenues also met their targets for the year. The in year collection rate achieved for Council Tax for 2015/16 was 98.03% which exceeded the target of 96.5% and showed a small increase on the previous year's rate of 97.79%. The in year collection rate of 97.84% for non-domestic rates was also better than the target of 97.2%.

On 7 July the Government published the first of what I am sure will be a series of consultations on the proposed reforms to business rates. The consultation is nearly 50 pages long and includes 36 questions. Responses have to be made by 26 September so it is likely that a draft response will be considered by the Finance and Performance Management Cabinet Committee at its meeting on 15 September.