

Report to the Council

Committee: Cabinet

Date: 28 July 2015

Subject: Finance

Portfolio Holder: Councillor S Stavrou

Recommending:

That the report of the Finance Portfolio Holder be noted

Accountancy

In previous years the Accounts and Audit Regulations have required the approval at June Council of the draft Statutory Statement of Accounts. However, this is no longer the case so the Accounts will not be presented to Council until September, when the audited set will be on the agenda. The outturn reports for both revenue and capital were presented to the Finance and Performance Management Cabinet Committee on 18 June and the Resources Select Committee on 14 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 for the first time in many years the Council had used more reserves than had been estimated. It was anticipated in the revised estimates that £7,000 would be added to reserves, but the outturn actually saw £64,000 of the General Fund balance being used. The total variance of £71,000 comprised of £223,000 of net expenditure above budget and £152,000 of additional income from Government Grants and Local Taxation. The in-year savings on the Continuing Services Budget (CSB) were £1,051,000 which was very close to the revised estimate of £1,089,000. There was a larger variance on the opening CSB which was £185,000 higher than predicted. The largest movement in the opening figures was in the provision for bad and doubtful debts, which included a one-off adjustment for the change in systems of Non-Domestic Rate accounting. It should be remembered that the gross expenditure budget is approximately £74 million so the overall variance is not significant.

The outturn on the Housing Revenue Account was a deficit of £397,000. This was £590,000 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 2015/16 is considered. The combined balance on the Housing Repairs Fund, the Major Repairs Reserve and the HRA revenue balance is £15 million.

The capital outturn detailed spending of £20 million on a range of schemes, this was some £3.9 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 (£1,000,000) and works in the planned maintenance programme (£557,000). Amounts of £2.6 million (General Fund) and £1.5 million (HRA) will be carried forward to 2015/16 to allow for completion of the various projects.

Having mentioned the outturn for 2014/15 I need to move on to the Council's budget for 2016/17. Last year we started 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. This allowed for a wider consultation and consideration of the options to achieve the necessary savings and will be repeated again this year. An extra meeting of the Cabinet Committee will take place on 20 July and the Financial Issues Paper will be presented to this meeting together with an update on the Medium Term Financial Strategy.

The Chancellor's Summer Budget concentrated on welfare and tax avoidance and so provided no new information on government spending at a departmental level. It would have been helpful to have had some information on our grant funding beyond 2015/16 but that will follow in the autumn after the Spending Review. There are a couple of positives to take from the Budget as the funding settlement for 2015/16 has not been re-opened and the timeline for achieving a surplus has been pushed back a year. This means the austerity programme is not as dramatic as had previously been outlined in March.

Benefits

On 20 July the Finance Cabinet Committee will receive the outturns for the Key Performance Indicators for 2014/15. I am pleased to report that all of the performance targets for Benefits were achieved. The continuing improvement in the processing of new claims is worth mentioning as an average performance of 21.7 days was achieved which beat the target of 25 days and the previous year's performance of 23 days.

A significant part of the deficit reduction strategy is to reduce the welfare bill by £12 billion. The key welfare reforms in the Summer Budget that will affect residents on benefits include -

- reducing the benefit cap from £26,000 to £20,000 per annum
- freezing working age benefits for 4 years from April 2016; and
- removing automatic entitlement to housing support for those aged under 21.

Revenues

The Key Performance Indicators for Revenues also met their targets for the year. The in year collection rate achieved for Council Tax for 2014/15 was 97.79% which exceeded the target of 97% and showed a small increase on the previous year's rate of 97.62%. The in year collection rate of 97.86% for non-domestic rates was also better than the target of 97.7%.

As part of the associated papers for the Summer Budget the Government published updates to the reviews on the administration of business rates and on tackling business rates avoidance. It is good news that the appeals system is being reformed to reduce speculative appeals and encouraging that the Government is keen to bring forward options to address avoidance.