

# ***Report to the Council***

**Committee: Cabinet**

**Date: 3 November 2015**

**Subject: Finance**

**Portfolio Holder: Councillor S Stavrou**

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## **Recommending:**

**That the report of the Finance Portfolio Holder be noted.**

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## **Accountancy**

At Cabinet on the 8<sup>th</sup> October I was asked about the implications of the announcement by the Chancellor of the Exchequer on the future of local authority financing and I thought Members who had not been at Cabinet would also be interested in this. To provide background here I will quote from the press notice issued by HM Treasury on 5<sup>th</sup> October entitled "Chancellor unveils devolution revolution"

"By the end of the Parliament, local government will be able to retain 100 per cent of local taxes – including all £26 billion of revenue from business rates – to spend on local government services. The government will also abolish the Uniform Business Rate and give local authorities the power to cut business rates to boost enterprise and economic activity in their areas. At the same time, the core grant from Whitehall will be phased out, and local government will take on new responsibilities. These new powers must come with new responsibilities, as well as phasing out the main grant from Whitehall, to ensure the reforms are fiscally neutral. Local government will of course also need to contribute to fiscal consolidation over this Parliament, and the Government will set out further details in the Spending Review."

So whilst the announcement can be welcomed in principal it will only be once we have the full detail that an accurate assessment can be made. Of the £34 million of business rates we currently collect we only keep £3.5 million. The Treasury takes £17 million for its own purposes and a further £10.2 million goes as "tariff" to support authorities who do not collect sufficient business rates in their own areas. The remainder of the money is not retained in the district but in the county as Essex County Council get £3 million and Essex Fire Authority get £0.3 million. The new system will still require some form of equalisation mechanism, to protect authorities with low levels of business rate income, and will probably see much larger amounts going to Essex County Council and Essex Fire Authority. There is no chance at all of the full £34 million being within our direct control.

It is clear that any new funding will be at least matched by new responsibilities and local authorities will continue having to play a leading role in deficit reduction. Over the life of this Parliament the Department for Communities and Local Government is likely to see a 40% reduction in its funding and so a very similar reduction is likely to be seen by local authorities. Given this overall funding reduction our ability to reduce business rates is likely to be limited, but we will see what we can do when we have the full picture.

What we can take from the announcement that is positive is that we will be able to retain all growth locally. To achieve growth we will continue to actively develop our own assets and the wider business community through our initiatives on economic development.

### **Benefits**

The Benefits Service continues to perform well and should achieve the key performance indicator targets by the end of the year. The performance figures on processing new claims in the second quarter show an improvement on last year but are slightly behind the tougher target for this year. During the second quarter new claims were processed on average in 22.36 days, compared to a target of 22 days and compared to 22.55 days at the end of the second quarter last year.

Performance on processing changes of circumstance was also good, with the figure of 7.19 days being below the target of 10 days and showing an improvement on the second quarter figure for last year of 7.87 days.

### **Revenues**

The Revenues Service has also put in a strong performance in the second quarter. At the end of September in-year Council Tax collection was at 52.54% which is above the target of 53.04%. This is slightly up on the figure of 52.40% at this time last year. The collection of non-domestic rates is also above target at the end of September, with 53.54% achieved compared to the target of 53.04%.

Members may recall that a pool for business rates for Essex authorities was created for 2015/16. This was done as authorities within pools are able to retain a greater share of any growth in business rates in their areas. The latest modelling suggests we should still benefit from this arrangement. However, some authorities are concerned that reductions in their income could cause them to rely on the safety net funding mechanism in 2016/17 and so have withdrawn from the pool for next year. Conversely, two authorities that did not join the 2015/16 pool are now likely to join the 2016/17 pool. I will keep our position under review with the Director of Resources but as long as it appears financially advantageous to the authority we will continue as a member of the amended pool.