

Agenda Item No: 13



Cabinet recommendations for consideration by Council at the Meeting of the Council on Monday, 17 July 2017

Cabinet – 26 June 2017

3 Finance Update – Performance Report - 2016/2017

The Cabinet considered Report No 89/17 which provided an update on the Council's financial performance in 2016/2017 and explained the impact on the Council's current financial position.

The Council's 2016/2017 Accounts had been closed and at the time of preparing the Report, the Deputy Chief Executive was expected to approve the draft Statement of Accounts during the week beginning 26 June 2017, immediately following which they would be released to the Council's external auditor, BDO, and made available to the public for inspection.

The General Fund year end position for 2016/2017 was in line with the forecast made when the Medium Term Financial Strategy was updated at the time that the 2017/2018 budget was prepared, and with the quarterly performance reports made to Cabinet during the course of the year.

Table 1 in the Report showed the final net expenditure/income for 2016/2017 analysed by management area which was the format used in the quarterly financial performance Reports to Cabinet during the year. It indicated that net spending on services was £171,000 less than budgeted. Details of each service were set out at Appendix 1 to the Report.

Table 5 listed the contributions to and use of each General Fund Reserve in 2016/2017, and the balance held at the end of the year. It also identified the

anticipated movement on each Reserve in 2017/2018 which reflected the approved General Fund budget and the capital programme.

Table 6 showed that the Housing Revenue Account outturn for 2016/2017 (after planned specific one-off costs had been financed from the Special Projects element of the working balance) was a net surplus of £542,000 compared with a surplus of £519,000 which had been projected when the budget for the year had been set, which provided a net positive variation of £23,000. Table 7 summarised the main variations compared with that projection.

The balance on the Council Tax Collection Fund at 31 March 2017 was a surplus of £1.792m, compared with a surplus of £1.700m which had been estimated at the time of setting the Council Tax for 2017/2018. Such positive variation, at 0.1% of income, reflected growth in the taxbase, changes in entitlement to discounts and a decrease in the value of Council Tax Reduction Scheme awards compared with the projection. The variation was well within the acceptable level of tolerance given that the total annual amount of Council Tax due was £64.7m. The earliest that the additional surplus could be distributed was during 2018/2019. The distribution would be between the Council, East Sussex County Council, East Sussex Fire Authority and the Sussex Police and Crime Commissioner, based on 2017/2018 Council Tax amounts. Approximately 15% of the surplus would be returned to the Council.

The balance on the Business Rates Collection Fund at 31 March 2017 was a deficit of £1.598m, of which the Council's share would be £0.639m, compared with a deficit of £1.386m that had been estimated at the time of setting the 2017/2018 budget. Such increased deficit was largely the result of backdated transitional relief and an increased provision for non-collectable debt. Appeals against business rate valuations, which were beyond the Council's control, remained a key risk. At 31 March 2017, 180 appeals against the Council's rating list remained to be settled. The provision for business rates appeals was reduced by £0.100m to £1.8m at 31 March 2017.

Financial Procedure Rules authorised the Deputy Chief Executive to write-off a debt which was below £10,000 or where the amount involved was claimable in bankruptcy or liquidation proceedings. Cabinet or Council approval was required to write off a single debt in excess of £10,000 or £50,000 respectively. It was important to ensure that only those debts for which a realistic prospect of recovery existed remained active. The Council's external auditor could be expected to review such activity as part of the statutory audit of accounts. However, there was nothing to prevent the Council from reinstating a debt, following its write-off, if new information came to light about the debtor's circumstances.

In 2016/2017 the amounts set out in paragraph 4.5.2 of the Report had been written off in total when action to recover individual debts had proved to be unsuccessful or uneconomic to pursue. No individual case was in excess of £10,000. Cabinet was recommended to approve the two write-offs set out in paragraph 4.5.3 of the Report where continued recovery action was no longer

considered to be appropriate.

The Capital Programme was an allocation of resources, (principally capital receipts from the sale of assets, grants or contributions received with specific conditions attached, and reserves) to projects that related to the major repair, enhancement or purchase of long-term assets. In many cases such projects would span financial years. Table 9 summarised the final position in respect of the 2016/2017 Capital Programme and Appendix 2 to the Report set out a detailed analysis thereof.

Appendix 3 to the Report set out details relating to the Capital Programme for 2017/2018 which had been updated to include the amounts brought forward from 2016/2017. Details of the proposed variations to the 2017/18 programme were set out in paragraph 4.6.4 of the Report.

The Council had adopted the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management in the Public Services and complied with its requirements, one of which was that the Council should receive an Annual Treasury Management Report following the end of each financial year. Such Report also included the results of the various indicators which the Council set each year in accordance with the Prudential Code for Capital Finance in Local Authorities.

The Annual Report for 2016/2017, which had been considered by the Audit and Standards Committee at its meeting on 19 June 2016. was set out at Appendix 4 to Report No 89/17.

Resolved:

- | | | |
|------------|---|-----|
| 3.1 | That the financial position on the General Fund, Housing Revenue Account and Collection Fund accounts for 2016/2017, as detailed in Report No 89/17, be agreed; | DCE |
| 3.2 | That the allocation of Reserves at 31 March 2017 shown in paragraph 4.2.9 of the Report, be confirmed; | DCE |
| 3.3 | That the Capital Programme outturn for 2016/2017 as shown in Appendix 2 to the Report, be agreed; | DCE |
| 3.4 | That the updated 2017/2018 Capital Programme, as set out in Appendix 3 to the Report, be approved; | DCE |
| 3.5 | That the write-off of irrecoverable debts noted in paragraph 4.5 of the Report, be approved. | DCE |

It was further

Recommended:

- | | | |
|------------|--|------------|
| 3.6 | That the Annual Treasury Management Report for 2016/2017, as set out in Appendix 4 to the Report, be approved. | DCE
(to |
|------------|--|------------|

Reasons for the Decisions:

A Report on financial performance following the end of each quarter is made to Cabinet to ensure that the financial health of the General Fund, Housing Revenue Account, Council Tax and Business Rates Collection Funds and the Capital Programme are kept under continual review. It is essential to ensure that the Council has a sound financial base from which to respond to changing activity levels and demand for statutory services and to ensure that, when appropriate, its finances are adjusted in response to reducing income levels and inflationary pressures on expenditure.

At the end of the financial year, Cabinet should review the impact of the financial performance on its current financial position, determine the level of Reserves available for use and variations, if any, which may be required to the revenue budget or capital programme.

The Council's Treasury Management function deals with very large value transactions on a daily basis. It is essential that the Council is satisfied that appropriate controls are in place and in accordance with the Code of Practice on Treasury Management in the Public Services (the Code) prepared by the Chartered Institute of Public Finance and Accountancy and adopted by the Council. The Code requires the Council to receive an Annual Treasury Management Report at the end of each financial year.

† *The Recommendation, and not the Resolutions, in the above Minute is for consideration by Council.*

Councillors are requested to bring with them to the meeting Report No 89/17 which was circulated with the agenda papers for the meeting of the Cabinet on 26 June 2017. If you require a further copy of the document please contact Trevor Hayward, Committee Officer, on e-mail trevor.hayward@lewes.gov.uk or telephone 01273 085429.