



**Cabinet recommendations for consideration by Council  
at the Meeting of the Council on Thursday, 17 July 2014**

**Cabinet – 2 June 2014**

**6 Finance Update**

The Cabinet considered Report No 75/14 which provided an update on financial matters that affected the General Fund Revenue Account, the Housing Revenue Account and the approved Capital Programme.

Appendix 1 to the Report provided details of Treasury Management activity between 22 March 2014 and 30 April 2014, all of which was consistent with the Council's approved Treasury and Investment Strategies for 2013/2014 and 2014/2015.

At the time the Report was being prepared, work to close the 2013/2014 accounts was nearing completion. A detailed Report on the final General Fund, Housing Revenue Account and Capital Programme financial outturn for the year was to be made to Cabinet at its meeting on 7 July 2014.

The General Fund year end position for 2013/2014 was sufficiently robust to support the Medium Term Financial Strategy target of no tax rises through to 2015/2016. The Report therefore recommended that the General Fund working balance at 31 March 2014 be set at £2,415,600 which was the amount anticipated when the 2014/2015 budget was set. The Report further recommended that any General Fund surplus in 2013/2014 that was not required to support the working balance be transferred into the Change Management element of the Change Management and Spending Power Reserve.

The Revenue Equalisation and Asset Maintenance (REAM) Reserve included an element earmarked for 'Interest Equalisation' which was to provide a buffer for the General Fund against reductions in returns from the Council's Treasury Management activity. The Council had sold its holding in LBI which had removed the uncertainty of its future recovery. Consequently,

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it was no longer a priority to retain the balance, which was anticipated to be £0.29m at 31 March 2015. The Report therefore recommended that it be earmarked as funding to support the cost of the Council's Change Management Programme which included the payment for capitalised pension strain costs when they arose.

In closing down the first year's retained business rates accounts, timing differences had been identified in settling up the balances between the General Fund and the Collection Fund. It was likely that the Council's share of the Collection Fund would have a debit balance of £308,000 in 2013/2014 and that the retained business rates element of the General Fund would have a credit balance of £371,000. Part of the reason for such difference was the mechanism by which the Government reimbursed the cost of its Autumn Statement policies that affected business rates.

The next opportunity to adjust the 2013/2014 Collection Fund debit balance was when the 2015/2016 business rates estimates were submitted to the Government in January 2015. Transferring the business rates element of the General Fund balance into a new "Business Rates Equalisation Reserve" would help to manage balances over time between the General Fund and the Collection Fund statutory accounts.

Resolved:

- 6.1 That it be noted that Treasury Management activity since the last Report to Cabinet has been consistent with the Council's approved Treasury and Investment Strategy, as detailed in Report No 75/14;
- 6.2 That the General Fund working balance at 31 March 2014 be set at £2,415,600 which is the amount anticipated when setting the 2014/2015 budget; DF
- 6.3 That any General Fund surplus in 2014/2015 not required to support the working balance be transferred into the Change Management element of the Change Management and Spending Power Reserve; DF
- 6.4 That the Interest Equalisation element of the Revenue Equalisation and Asset Maintenance Reserve be transferred into the Change Management element of the Change Management and Spending Power Reserve; and DF
- 6.5 That the remainder of the Report be received and noted.

It was further

Recommended:

- 6.6 That a Business Rates Equalisation Reserve be established for the purpose of equalising balances over financial years, between the General Fund and the Collection Fund statutory accounts. DF (to note)

Reasons for the Decisions:

A Report on funding issues in relation to the Council's General Fund

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Revenue Account, Housing Revenue Account and Capital Programme is made to each meeting of the Cabinet to ensure that the Council's financial health is 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.

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 prepared by the Chartered Institute of Public Finance and Accountancy and adopted by the Council.

† *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 75/14 which was circulated with the agenda papers for the meeting of the Cabinet on 2 June 2014. If you require a further copy of the document please contact Trevor Hayward, Committee Officer, on e-mail [trevor.hayward@lewes.gov.uk](mailto:trevor.hayward@lewes.gov.uk) or telephone 01273 484359.*