

**COUNCIL MEETING**

**14<sup>th</sup> DECEMBER 2015**

**QUESTIONS FROM MEMBERS OF THE PUBLIC**

**(1) From Hon. Alderman Sue Polydorou JP to the Portfolio Holder for Resources**

**Reserves**

The Annual Report and Statement of Accounts for 2014/15 show Council balances on 31.03.2015 as follows:

Total Authority Reserves: £666,193,000, with Usable Reserves of £182,520,000

At the recent Council public consultation meeting regarding the budget on 26 November Cllr Graham Arthur stated usable reserves were £131,000,000, some £50,000,000 less than indicated in the final accounts on 31.3.2015.

Please confirm the Total Authority Reserves and Usable Reserves to date and if Cllr Arthur's statement is correct please explain the reason for the reduction in usable reserves since March.

**Reply:**

Although the Council holds total reserves of £666m as at 31<sup>st</sup> March 2015, £484m of these are unusable (i.e. do not represent usable resources). Unusable reserves do not have cash balances and do not provide monies available to fund expenditure. They are held to meet statutory requirements relating to technical accounting purposes. The largest of these is the capital adjustment account (£564m).

Usable reserves total £182m. Of this sum £51m are subject to statutory limitations on their use and can only be used to fund capital expenditure. The remaining £131m, as referred to at the recent public consultation meeting, represents the level of usable earmarked and general reserves that the Council may use to fund revenue expenditure subject to the need to maintain a prudent level of reserves.

**Supplementary Question:**

At successive public consultation meetings about the budget, including the most recent one, Cabinet members have stressed the need to cut budgets and services because of austerity. In the final accounts in March 2010 the Council had £115m in usable reserves. Despite austerity, usable reserves have increased by 58% over this five year period. The Chancellor George Osborne in his recent Autumn Statement said that Councils needed to draw on their reserves to improve local services – does Councillor Arthur agree with him?

**Reply:**

No, I do not agree with him and I find it extraordinary that we have to apologise for prudently handling the finances of this Council. What we do know is that the period of austerity, far from being over, has gathered pace for local government. Our income in two to three years' time will be significantly less than it is now. Rather than charge to the edge of the cliff like a lemming, what we have done is take prudent measures well in advance to make sure that we can live within our means for all the tomorrows to come. A half of the Councils across this country are saying that they will not be able to balance their books next year – we are not one of them. The reason we are not one of them is because we have taken the right action on time and we have got ourselves ahead of the game. I make no apology for that.

The use of reserves is something that is far better understood in private industry than it is in public service and public service has to start thinking like a private industry if we are to balance the books.

**(2) From Hon. Alderman Sue Polydorou JP to the Portfolio Holder for Resources**

As of 31.3.2014 Investment Property assets were £71,548,000. On 31.3.2015 Investment Property assets were £96,724,000.

Please outline the reason for this increase in Investment Property for this period and what is the figure for Investment Property to date?

**Reply:**

The increase of £25.2m in investment property assets between 31<sup>st</sup> March 2014 and 31<sup>st</sup> March 2015 is mainly due to the purchase of five investment properties totalling £22.6m. Annual property revaluations also resulted in a net increase of £2.6m in the value of all investment property assets held. Further purchases of three investment properties totalling £20.9m since 31<sup>st</sup> March 2015 has increased the current value of investment properties held to £117.6m.

**Supplementary Question:**

At the recent budget consultation meeting, Cabinet members justified having a property investment portfolio because of the favourable rate of return on investments which is then ploughed back into the revenue budget. Of the £117.6m that Councillor Arthur has outlined the assets now stand at, how much of that sum is the original investment that has been put in by the Council, how much is capital appreciation and how much of the total return over the last five years has been allocated back to the revenue budget?

**Reply:**

The return on the property investments currently stands at 6%. The reason we have undertaken those investments is to improve the yield that would have been possible having cash reserves in the bank at between 1% and 1.5%, and so by a yield of 6% that is a considerably better form of investment for us. As a subsidiary issue we will also enjoy an increase in the capital value of those investments and £2.6m has been added to the value of those investments during the current year.

**Additional Supplementary Question:**

Councillor Simon Fawthrop asked whether the Portfolio Holder could recall what happened to reserves and the Council Tax under the Lib/Lab pact?

**Reply:**

Councillor Arthur could not recall the precise reduction in reserves, but the figures he had heard were £30-40m over the three years of the Lib/Lab pact. The Council Tax during that time increased by 32%, so people were hit by a very substantial increase. It had to be appreciated however, that this was a period of high inflation.

The Portfolio Holder also clarified that the total interest income for next year would be about £11.5m and of that every penny would go back to the revenue account to improve or maintain services.