Report to the Council

Committee: Cabinet **Date: 20 December 2016**

Subject: Finance

Portfolio Holder: Councillor G Mohindra

Recommending:

That the report of the Finance Portfolio Holder be noted

<u>Accountancy</u>

The Autumn Statement was presented by the Chancellor on 23 November and was based on the latest projections for the economy by the Office for Budget Responsibility (OBR). These projections represent a central case and so have been criticised by both sides of the Brexit debate for being either far too cautious or far too optimistic. The reality is that no one really knows how negotiations and trade deals will play out, this is summarised nicely by the OBR who state “there is a higher than usual degree of uncertainty in these forecasts”. However, the Chancellor cannot set tax and spending policies without using predictions on future spending and growth in the economy so we have to accept what the OBR says and focus on the key announcements in the Statement.

The OBR’s forecast for the public finances shows a clear deterioration since the 2016 Budget. This is due to lower tax revenues, higher spending by public bodies and on welfare benefits and the weaker economic outlook. Compared to their forecasts for the 2016 Budget, the OBR now thinks borrowing will be higher in every year of the forecast and £32 billion higher in 2020/21. This prediction has debt peaking at 90% of Gross Domestic Product (GDP) in 2017/18 and then reducing.

The Government is in a difficult position but is trying to return the public finances to health while providing support to the economy and addressing long-term productivity issues through increased investment. Within these parameters the Government has interim objectives of reducing the structural deficit to less than 2% of GDP and for debt as a percentage of GDP to be falling by the end of this Parliament.

It remains to be seen how much of the investments that were announced in the Autumn Statement will be spent in this district but it is worth mentioning some of the new or expanded schemes. There is a £2.3 billion Housing Infrastructure Fund to deliver infrastructure to support the building of 100,000 new homes in high demand areas. Further money has been made available for housing with an additional £1.4 billion to build 40,000 more homes as part of the Affordable Homes programme. The third substantial investment is the National Productivity Investment Fund. This fund will provide an additional £1.1 billion to relieve congestion and deliver upgrades on local roads and public transport networks.

Unfortunately the Statement did not tell us when the detailed settlement information would be issued by the Department for Communities and Local Government or provide any more detail on the potential changes to New Homes Bonus.

On 16 November we received confirmation from the Minister for Local Government that our application for the multi-year settlement had been accepted and his letter also stated that 97% of councils had applied. Therefore, it is hoped that when the detailed settlement is published it will contain no significant changes to the four-year figures announced last year.

Benefits

The main change to the benefits system was a change to the taper rate in Universal Credit. Currently the taper rate is 65% which means that once claimants earn above the work allowances in Universal Credit their income is withdrawn at a rate of 65p for every extra £1 earned. From April 2017 the reduction to 63% will let individuals keep an extra 2p in the £1 and this should strengthen the incentive to work. The Government has estimated that 3 million households will be better off because of this change.

Later on the agenda we have the Council's scheme for Local Council Tax Support (LCTS) for 2017/18. It was four years ago now that we approved our first LCTS scheme for 2013/14. The scheme had remained largely unchanged until last year when concerns about the financial burden of the scheme and the equality of treatment for the employed and self-employed necessitated changes. The only changes proposed for 2017/18 are technical ones to keep the scheme in line with changes to the wider welfare system. As we will debate these changes later I do not want to say any more about them at this stage.

Revenues

The Statement included more items of interest on Business Rates than Council Tax. I was pleased to see the removal of the inconsistency between rural rate relief and small business rate relief with the doubling of rural rate relief from April 2017. As an incentive to invest in infrastructure, new fibre-optic broadband will qualify for 100% business rate relief for 5 years from April 2017.

The Government has also confirmed the transitional scheme for the 2017 revaluation. Any rise will be capped at 5% in the first year for small properties with the total value of transitional relief being £3.6 billion over 5 years. This is being paid for by caps on reductions to businesses which gain from the revaluation, with smaller businesses again receiving preferential treatment.

One item on Council Tax I would like to share with Members is the success of our recent review of Single Person Discounts. This is the most abused discount and so reviews are conducted of a fairly regular basis. As part of this exercise 3,442 accounts were checked and contacted and this resulted in the removal 726 single person discounts. The total potential revenue generated by this is £458,000, although of course the largest beneficiary will be Essex County Council.