Report to the Council

Committee: Cabinet **Date: 21 December 2017**

Subject: Finance

Portfolio Holder: Councillor G Mohindra

Recommending: That the report of the Finance Portfolio Holder be noted

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Accountancy

The Budget was presented by the Chancellor on 22 November and was based on the latest projections for the economy by the Office for Budget Responsibility (OBR). These projections included a significant downgrading of the anticipated future growth in the economy. Over recent years it has become evident that the OBR forecasts had been too optimistic on future growth and so to retain credibility a downward adjustment was necessary. The main factor limiting growth in the economy is poor productivity. To address this, the Government launched the National Productivity Investment Fund (NPIF) last year to boost investment in housing, infrastructure and research and development. The Budget increased the NPIF from £23 billion to £31 billion, which should mean that by 2020/21 public investment as a proportion of Gross Domestic Product (GDP) will be at its highest level for 30 years.

The OBR's forecast for the public finances shows deterioration since the Spring Budget 2017. Borrowing is lower in the short term with reductions of £8.4 billion in 2017/18 and £1.3 billion in 2018/19. However, the weaker economic outlook and the investment measures in the Budget see total borrowing increase over the forecast period from £158 billion to £187 billion. This prediction has debt peaking at 86.5% of GDP in 2017/18 and then reducing in each subsequent year to get to 79.1% by 2022/23.

The Government has limited room for manoeuvre in 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. The OBR now predicts the 2% target will be achieved in 2018/19, two years ahead of schedule.

It remains to be seen how much of the investments that were announced in the Budget will be spent in this district but it is worth mentioning some of the expanded schemes. There is an additional £2.7 billion to increase the Housing Infrastructure Fund to £5 billion. This Fund will deliver infrastructure to support the building of new homes in high demand areas. Further money has been made available for the Affordable Homes Programme, which has seen an increase from £7.1 billion to £9.1 billion. It is expected that this will deliver at least 25,000 new affordable homes.

One of the key Budget measures was to provide support for those struggling to get on the housing ladder. The Government has permanently exempted first time buyers from stamp duty for properties up to £300,000, with purchasers benefitting on homes up to £500,000. Unfortunately the Budget did not tell us when the detailed settlement information would be issued by the DCLG or provide any more detail on the Fair Funding Review or Business Rates Retention.

Benefits

The main changes to the benefits system were focused on Universal Credit (UC). The Chancellor has listened to concerns and introduced measures to alleviate the problems people encounter when first making a claim. The initial seven day waiting period has been removed so entitlement to UC now starts on the first day of application. Those already on housing benefit will continue to receive their award for the first two weeks of UC and it will also be easier for people to access a payment in advance. We are still very early in the stages of UC roll out as we have eight different job centres for different parts of the district, so it is too early to comment on the effects of UC in the district but these measures should help.

Later on the agenda we have the Council's scheme for Local Council Tax Support (LCTS) for 2018/19. It was five years ago now that we approved our first LCTS scheme for 2013/14. The only changes proposed for 2018/19 are technical ones to keep the scheme in line with changes to the wider welfare system and ease the administrative burden. As we will debate these changes later I do not want to say any more about them at this stage.

Revenues

The Budget included more items of interest on Business Rates than Council Tax. I was pleased to see the bringing forward of the change in the inflationary uplift from RPI to CPI as this will help keep bills lower. The change from 5 years to 3 years between revaluations should keep bills current and reduce large fluctuations and continuing the £1,000 discount for pubs is a welcome measure.

The Spring Budget 2017 included three schemes to help businesses cope with the 2017 revaluation and I can now confirm how many of our local businesses have benefited from each scheme. The main scheme of discretionary relief, as approved by Cabinet in October, will help 426 businesses whilst the smaller schemes providing support for pubs and small businesses see 55 and 37 businesses benefitting respectively. In monetary terms the value of the reliefs awarded are, for the discretionary scheme £299,000, for the pub scheme £55,000 and for the small business scheme £30,458.

On Council Tax, the Government are keen to encourage owners of empty homes to bring their properties back into use. To help achieve this, we will be able to increase the council tax premium from 50% to 100%. This is welcomed but more flexibility is still needed on other discounts such as those available to single persons.

Staff in Revenues are keen to use technology to improve collection rates and highlight self-service options to residents. On 1 November text messages were used for the first time to remind more than 1,500 residents that their council tax payment was overdue. This process cost £62 but immediately after the message was sent 131 residents made payments using our internet site which totalled more than £19,000. Over the coming months we will be refining and repeating this exercise as it is clearly very good value for money.