

Portfolio Holder's Report to Full Council 1 July 2013

Councillor Robert Chambers – Portfolio Holder, Finance & Administration

2012/13 Provisional Outturn

On 20 June the Cabinet approved the provisional outturn position for the financial year ending 31 March 2013. The accounts will be audited during the Summer, and the results reported to Members in September.

The provisional outturn for the General Fund (all services except Council Housing) is a net favourable variance of £95,000. The General Fund ends the year with reserves totalling £6.1 million, of which £4.9 million is earmarked for specific issues and projects, and £1.2 million is a contingency reserve.

The Housing Revenue Account (Council Housing services only) earned an in year operating surplus of £3.2m of which £0.9 million was spent on council housing improvements and the remainder has been earmarked for new schemes to take place this year and thereafter.

The outturn shows that the budget has again been well managed, and is an outcome that maintains the Council's sound financial position.

Comprehensive Spending Review

Last week's announcements by Government contained some potentially tough messages for Local Government. There is not enough information available yet to ascertain the precise implications for UDC, but we can assume that Government funding will reduce.

The situation is expected to be remain reasonably stable for this year, 2013/14 and next, 2014/15, but serious challenges are expected from 2015/16 onwards.

We are doing some scenario planning to inform an updated medium term financial strategy, to ensure that we have robust plans to tackle the challenges that lie ahead. We approach these challenges in a healthy financial position and a culture of strong financial discipline.

Housing Benefit Reforms

About 325 benefits claimants have had their housing benefit reduced in line with the "spare room subsidy" reforms. From this month, a further 10 claimants will see their housing benefit reduced under the "benefits cap" rules.

These changes are undoubtedly causing difficulties for the affected households and we have seen an increase in the number of new claims, benefits appeals and requests for Discretionary Housing Payments support. The additional workload is posing some challenges for the Council's benefits service, which has not been helped by some recent staff turnover. Managers are taking appropriate steps to deal with this.

Meanwhile, we await firmer information from the Government on the timing and extent of Universal Credit reforms, which are being piloted in the North West of England. As things stand, we expect this change to be phased in over a few a years starting in 2014. When it happens, it will represent a serious challenge for the Council and local residents.

Local Council Tax Support and Council Tax Discounts

Members will recall that the national Council Tax Benefit system has been replaced with a new scheme of Local Council Tax Support (LCTS). The Council decided to subsidise the scheme in order to protect vulnerable people from Government funding reductions, and to phase in the impact on non-protected households. In so doing, the Council's scheme is the most generous in Essex. So far, the scheme is operating reasonably smoothly.

When approving the scheme, the Council decided that a review would be undertaken during 2013 to identify possible changes for the second year of the scheme, i.e. from April 2014, together with a review of council tax discounts on second homes and empty homes.

On 20 June the Cabinet approved some draft proposals on which we shall be consulting during the Summer. The key proposals are that:

- Non-protected LCTS households (working age, non-vulnerable) will be required to pay more Council Tax (average of 73 pence more per week)
- The current 10% Council Tax Discount on Second Homes will be removed
- The current 100% discount (up to 12 months) for Empty Homes requiring major repair will be reduced to 50%
- The current 100% discount (up to 6 months) for Empty Homes not requiring major repair will be reduced to 50%
- An extra premium to be charged to owners of long term Empty Homes.

It is stressed that these are just proposals for consultation at this stage. Results of the consultation and finalised proposals for consideration will come to Members in the Autumn, ahead of final decisions by Full Council in December.

Business Rates

With great reluctance the Cabinet decided to write off an irrecoverable debt of £1.1 million in 2012/13 business rates owed by Eighteen Aviation Ltd (t/a Aero Toy Store), the occupiers of the Diamond Hangar at Stansted Airport. At time of writing, the company was due to be wound up as insolvent at a court hearing scheduled for 1 July.

This is a serious loss to the public purse, although as a 2012/13 transaction, the cost is borne by Central Government rather than local council tax payers. However, because of changes in the business rates system that apply from 2013/14, 50% of future similar losses would be borne locally.

This case was extremely unusual and exacerbated by delays in the appeals process dealt with by the Valuation Office Agency, which prevented timely debt enforcement action being taken. The Leader has written to the Secretary of State to highlight the issue and make suggestions to minimise the changes of similar losses arising in future.

This case is a stark reminder of how risks previously borne by central government have been transferred to local authorities and therefore we must continue to take steps to strengthen the Council's finances.