

The Chancellor's 2018 Autumn Budget

Purpose of report

For information.

Summary

This report highlights the key announcements in the Chancellor's 2018 Autumn Budget with implications for local government, and provides some commentary on the emerging picture for the 2019 Spending Review. The full [briefing](#) is on the LGA website.

Recommendation

That the LGA Leadership Board discuss the content of the report.

Action

Officers to proceed as directed.

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Budget 2018

Background

1. The Chancellor of the Exchequer delivered his 2018 Autumn Budget on 29 October. The LGA provided councils, MPs and Peers including our Vice Presidents and selected stakeholders with an on-the-day summary of the key announcements relevant to local government. A full briefing including the LGA's views on the announcements was published the following day. We will also be following up with departmental officials on the detail of the announcements and providing further briefings and responses as required.
2. This is potentially the final major fiscal event ahead of the 2019 Spending Review, although the Chancellor kept open the possibility of the 2019 Spring Statement being upgraded to a substantive event rather than a response to OBR forecasts. This paper provides some commentary based on the draft spending limits for years 2020/21 to 2023/24 that the Government set out the Budget.

Key announcements with an impact on local government

3. The following is not an exhaustive list of announcements affecting local government. For a complete list, please refer to the [on-the-day briefing](#).
4. The key announcements were:
 - 4.1. Confirmation that the HRA borrowing cap would be lifted as of 30 October 2018.
 - 4.2. Additional one-off £650 million funding for adult and children's social care in 2019/20 (with more detail to follow at the local government finance settlement).
 - 4.3. Additional one-off £55 million of Disabled Facilities' Grant funding in 2018/19.
 - 4.4. Additional one-off £420 million of funding for local road maintenance in 2018/19.
 - 4.5. A one-off £675 million bid-based co-funding pot for the improvement of high streets.
 - 4.6. A cut in business rates bills by one-third for retail properties with a rateable value below £51,000, for 2019/20 and 2020/21, with local government compensated for the loss of income in full.

LGA activity prior to and after the Budget

5. Prior to the Budget, the LGA [published a submission](#) which highlighted the important role local government plays in shaping local areas and how this is put at risk by unprecedented funding pressures. The primary focus of the submission was to highlight the funding reductions faced by councils in 2019/20, and the associated short-term funding gap facing local services. The longer-term challenge will be the focus of the Spending Review work.

6. Following the publication of our Budget submission, we issued a single media statement which recognised the extra funding for local government but warned significant funding gaps remain and would need to be addressed by the Spending Review.
7. The LGA Chairman Lord Porter discussed the Budget live on BBC News and BBC Radio 5 Live and our statement was reported by City AM and in the Independent.
8. Our on-the-day summary of key announcements, followed by a full briefing the next day, have collectively been downloaded 3209 times. The briefings were shared with leaders, portfolio holders, chief executives, directors of finance and directors of communications via e-bulletins which were read more than 1300 times.
9. In Parliament we promoted our Budget submission through debates, parliamentary questions and responses to committee inquiries. Set out below are highlights, including:
 - 9.1. A House of Commons opposition day debate on social care funding, during which the Shadow Secretary of State for Housing, Communities and Local Government, Andrew Gwynne MP, cited our analysis of the funding gap facing adult social care by 2025.
 - 9.2. Our oral evidence to the House of Lords Rural Environment Committee. During the evidence session, we highlighted the need for the Government to address the funding gap facing local services by 2025.
10. Our activity was well represented on social media in the week prior to the budget through a campaign of content focusing on our top line asks from the LGA's budget submission. On the day of the Budget and the following day eight tweets were sent from @LGAComms promoting our Budget asks and briefings which gained over 36,000 impressions. In addition, five tweets were sent from @LGAnews, gaining over 26,000 impressions.

Spending Review

11. The Chancellor's Autumn Budget included a draft high-level plan for UK public spending from 2020/21 to 2023/24 which could form the basis of the 2019 Spending Review.
12. From 2019/20 to 2023/24, Resource Department Expenditure Limits (Resource DEL – this is the day-to-day government departmental spending and includes revenue grants to local government) will grow at an average of 1.2% per year in real terms.
13. This includes increases in NHS funding which has an impact on the settlements for other departments. Taking into account past decisions to protect particular departmental budgets, such as education, defence and international aid, there is a clear need for local government to put forward a strong case ahead of the Spending Review.



Source: LGA analysis of 2018 Budget Book

14. It is also worth noting that, due to the business rates retention reforms, a significant majority of local authority income – everything funded through locally retained taxation – sits outside the Government's definition of Resource DEL. This represents an opportunity for local government to state a stronger case against further funding reductions, and also a challenge to make sure that the Government's business rates retention plans are delivered in full.
15. The timing of the Spending Review remains uncertain. However, in his evidence to the Treasury Select Committee the Chancellor said he hopes to announce the outcome at the 2019 autumn Budget.

Next steps

16. Members are asked to note the report and the content of the on-the-day briefing.
17. The 2019/29 Provisional Local Government Finance Settlement is expected on 6 December, the date of Leadership Board and Executive. The LGA will continue to lobby on behalf of local government in advance of the settlement. Officers will provide some key headlines at the meeting of the Board if it has been published.
18. Officers will update members on progress regarding the announcements made in the Autumn Budget as and when required through normal LGA business.

19. The LGA will also continue to build and deliver a campaign focussed on the 2019 Spending Review, with regular updates to, and input from, Leadership Board and Executive as required.

Implications for Wales

20. The Budget, and the upcoming 2019 Spending Review, have implications for the public sector across the United Kingdom. However, the on-the-day summary and follow-up briefing focussed on issues that have an impact on English local government.
21. Implications for Welsh local government are related to devolved issues and as such the impact will be determined in part by the decisions taken by the Welsh Assembly. We will liaise with the Welsh LGA during our work on the 2019 Spending Review.

Financial Implications

22. This is core work for the LGA and is budgeted for within the 2018/19 LGA budget.