Autumn Statement
On the day briefing
5 December 2012

The Autumn Statement delivered today provides a formal update on the current state of the economy, responds to the most recent analysis from the Office of Budgetary Responsibility, and sets out the government's planned measures to boost growth.

The full set of documents is available on the Treasury website.

Key messages

- Local government has borne the brunt of cuts to public spending so far and, while it is pleasing our campaigning has resulted in councils being protected from additional cuts next year, the extra two per cent cut in 2014/15 is unsustainable.
- Local authorities already face a possible £1 billion cut to funding for 2013/14 on top of the 28 per cent reduction set out in the spending review and the further 2 per cent now announced for 2014-15.
- It is generally recognised that councils have managed the cuts so far by maximising efficiencies and redesigning services. With further cuts on the horizon, this will be impossible to repeat and impacts on the local frontline services that residents rely on and value are very likely.
- Further cuts to local government funding would also be a fatal error for the national economy by limiting councils' ability to invest in growth-generating services and projects, which in turn risks prolonging unnecessarily the economic downturn.
- We were pleased that the Chancellor signalled a greater devolution of both growth related funding and skills policy to local areas, which is something the LGA has long campaigned for.
- However, it remains the case that it has been extremely difficult for councils to plan for next financial year given the lateness of the Autumn Statement, which has pushed back the announcement of local government's financial settlement.

Autumn Statement Announcements
Key announcements affecting local authorities

Path of public spending

- The Autumn Statement 2012 sets out a further £6.6 billion package of savings to be made in 2013-14 and 2014-15, £5 billion of which will come from reductions to departmental current spending. This £5 billion in current spending will be switched to capital spending to be invested in infrastructure.
- The Government confirmed that total spending in 2015-16 and 2016-17 will continue to fall at the same rate as the Spending Review 2010 (SR10) period. The overall spending envelope for TME in 2015-16 will be set at £744.7 billion

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Local Government Association

Briefing

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- Detailed spending plans, including the breakdown between departments, will be set out in the first half of next year, although it was confirmed today that the protection of the health, schools and overseas aid budgets will continue.
- The Government also indicated that non-protected departmental resource budgets will continue on the same trajectory in 2015-16 as in SR10.

LGA view: Councils were cut earlier and harder than the rest of the public sector as the Government began to implement its deficit reduction policy. If the same pattern of cuts to public spending is replicated in the next Spending Review, councils will not be able to deliver the majority of the existing service offer by the end of this decade.

Local government funding

- Local government will be exempt from the additional reductions to departmental budgets in 2013-14 on the basis that local authority budgets have already been reduced by a comparable amount through the decision to allow local authorities to hold council tax down in that year and because it provides an opportunity for local authorities to invest in reform in order to deliver further savings by consolidating back-offices and transforming service delivery as demonstrated by the Whole-place Community Budget pilot.
- The Chancellor indicated that local government would be subject to the 2% reduction to departmental budgets planned for 2014-15.
- The reduction in the Department for Communities and Local Government budget is expected to amount to £447 million.

LGA view: It is pleasing the sector's campaigning has resulted in councils being protected from additional cuts next year. Local authorities already face a possible £1 billion cut to funding for 2013/14 on top of the 28 per cent reduction set out in the spending review and the further 2 per cent now announced for 2014-15. Cutting council funding in 2014-15 to help pay for nationally-administered economic stimulus programmes would be bad for local frontline services and makes no sense economically. Local government is one of the few parts of the public sector which actively promotes economic growth. It does that in every part of the country in a way which cannot be matched by Whitehall.

Some central government departments are receiving real terms increases in their budgets, whilst funding for vital services in local government, such as adult social care, has been disproportionately cut. Whitehall now needs to turn the saving spotlight on itself, rather than offloading any further funding cuts onto councils, which could impact upon frontline services.

The four whole place Community Budget pilots have demonstrated that public services can be delivered more effectively by integrating them especially where the issues are complex and different parts of the public sector are involved – such as improving the lives of troubled families, reducing re-offending and domestic abuse, and integrating health and social care. The Autumn Statement suggests community budgets are a local government issue, but in reality all parts of the local public sector need to work together to make this happen. Government departments need to change the way they both fund services and set the rules around them to allow these new ways of delivering services to flourish.

In the medium term this could provide part of the answer to how both government departments and local partners manage reducing budgets.

Future devolution of growth-related funding

- The Chancellor signalled that a greater proportion of growth-related spending would be devolved to local areas from April 2015, in response to Lord Heseltine's review of economic growth. The Government will devolve this spending on the basis of the strategic plans developed by LEPs by creating a single funding pot for local areas.
- The Government will also take the opportunity to streamline its management of the EU Common Strategic Framework funds in England.

LGA view: We have backed Lord Heseltine's view in support of the devolution of budgets for transport, skills and employment. This view has been endorsed by the Chancellor and we welcome this direction to travel to support local economic growth. However, we would not support competitive bids for such funds, where Whitehall civil servants with no experience of business and localities decide how money is allocated. We await further details in the Spring.

We welcome proposals to align, simplify and devolve decision-making over the spending of EU funds on growth and skills. The current seven-year programmes represent around £8 billion, which local authorities and partners use to generate growth and give people the skills to benefit from it. To unlock full value from these funds it is important all local partners in LEP areas have genuine levers over funds and bring co-finance needed to spend it, that they have the opportunity to manage funds where partners want to, and that large proportions of funds are not top-sliced into departmental budgets and programmes.

Funding for infrastructure

- The Government will provide £270 million for priority national and local projects to remove bottlenecks and support development and invest an additional £333 million in the essential maintenance of our national and local road network to renew, repair and extend the life of our roads.
- The Government will invest an additional £980 million in schools in England by the end of this Parliament. This includes enough funding for 100 new academies and free schools, as well as investment to expand good schools, in the areas experiencing the greatest pressure on places.
- The Government will also provide a further £310 million towards the Regional Growth Fund in England.
- The Government will make available a new concessionary public works loan rate to an infrastructure project nominated by each LEP (excluding London), with the total borrowing capped at £1.5 billion.

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LGA view: Transport is essential to growth and we welcome the announcement on new funding for transport infrastructure and maintenance. It is important that whatever proportion of this money gets to councils does so quickly and is not held up in overly bureaucratic competitions.

The additional £330 million for road maintenance reverses the budget reductions set out in the 2010 spending review and goes someway to restoring the levels of funding for road maintenance to CSR 2007 levels.

However, almost three quarters of the money spent by local government on transport comes from general grants and local taxation. Local authorities will struggle to invest in areas of spend that impact on growth, like transport, if the spending reductions in the next spending period are as severe as the current period.

We understand that Local Authorities will be able to bid for some of the £980m available for schools. The process needs to be clarified promptly. Local authorities are in the best position to identify areas facing the greatest pressure for school places and act quickly to repair schools, expand existing ones and commission the building of new schools where necessary. It's now vital that this new additional funding flows quickly to address the shortfall in budgets and ensure local authorities can work with head teachers and parents to get on with the job of providing more school places where they are urgently needed.

We understand that the new concessionary public works loan rate will be 40 basis points below the PWLB standard rate and will be introduced from November 2013. Lower borrowing costs are welcome, but not the wait of almost 12 months before they become available.

Housing

- The Government will use around £225 million to accelerate delivery of large housing sites, supporting around 50,000 homes. £190 million will be used to de-risk public sector land and enable the quicker disposal of surplus sites for new homes, and alongside this, the Government will provide £100 million to bring forward public sector sites for development.

LGA view: It is helpful that the government has identified funding to accelerate the delivery of large housing sites, unlock stalled sites and accelerate the release of its land holdings. It is however crucial that the government and its agencies work closely with councils to manage the disposal of land and to ensure that the public sector estate as a whole can be used to best effect.

One of the critical barriers to new supply is access to finance to build and to buy and to this end it is helpful that the government has identified funding to unlock large housing sites. De-risking both new and stalled sites is dependent on the demand facilitated by access to mortgage finance to would be buyers. A number of councils are offering support for residents to access mortgages and we would like to see a stronger focus on stimulating this demand.

Flood defence

- The Autumn Statement announced an additional £120 million to build new flood defences. Half of this funding will be awarded to the strongest bids from growth-enabling schemes such as those being developed in Sheffield, Ipswich, Leeds, Exeter and Derby. The remainder will be used to accelerate planned schemes within the wider Environment Agency programme.

LGA view: The money announced today will help local authorities in their long-term work to reduce the risk of major damage and disruption caused by extreme rainfall in the future.

There is also a pressing need for more immediate support for those areas which have been worst hit by flooding in the past week. For many councils this will be the second or third round of floods they have dealt with this year, and the extremity of this situation will be taking its toll on already stretched budgets.

Broadband

- The Chancellor announced an additional £50 million to support a second wave of cities in the Government's Urban Broadband on top of the commitments in Budget 2012. The winning cities in the second wave are: Brighton and Hove, Cambridge, Coventry, Derby, Oxford, Portsmouth, Salford, and York in England; Aberdeen and Perth in Scotland; Newport in Wales; and Derry/Londonderry in Northern Ireland.

LGA view: This announcement is a positive step towards better connecting communities in our towns and cities. However, Government needs to focus on quickly securing the release of the associated state aid funding so councils don't have long delays before they can begin roll-out schemes as they did with the rural programme.

Skills policy

- The Government will give LEPs a new strategic role in skills policy in line with the recommendations of the Heseltine Review. LEPs will be given a role setting skills strategies consistent with national objectives and charted status for further education colleges will be linked to having taken account of the skills priorities of local LEPs.
- LEPs will also be able to determine how the European Union Common Strategic Framework funds, including the European Social Fund, are used locally, and will be able to bring bidders together to access Employer Ownership Pilot funding

LGA view: We welcome a stronger role for more local strategic direction in skills policy. We have called for skills to be devolved for several years to improve the match between the vocational skills system and the needs of local economies.

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We look forward to discussing with government the detail of its response to Lord Heseltine's proposals on a single local pot for growth related spending, including skills.

We need to ensure the new arrangements that will apply from April enable councils, local businesses and their partners to take ambitious steps at pace to help drive local growth.

Small business rate relief

- The Government will extend the temporary doubling of the Small Business Rate Relief scheme for a further 12 months from 1 April 2013.
- In addition the Government will exempt all newly built commercial property completed between 1 October 2013 and 30 September 2016 from empty property rates for the first 18 months.

LGA view: The announcement on empty property rates is forecast to reduce business rates income by £150m. Previous statements from the Government have indicated that mandatory reliefs of this sort should be dealt with through the New Burdens procedure and will be taken away from the notional gross yield sum. The LGA is clarifying with the Department for Communities and Local Government how these reliefs will affect the Expected Business Rates Aggregate and how this will in turn impact upon the size of the local share.

We understand that it is the Treasury's intention that local authorities will be fully compensated for the new empty property relief on new-build, and on the extended Small Business Rate Relief scheme.

Transfer of Undertakings (Protections on Employment)

- To make the labour market more flexible, the Government is consulting on reducing unnecessary burdens from the Transfer of Undertakings (Protections on Employment) (TUPE) regulations

LGA view: It is in the interests of all parties in major outsourcing and transfer programmes that the rules around protected rights should be clear, simple and readily understood. The LGA welcomes a careful review of TUPE but is mindful that a fair approach to terms and conditions is very important in public sector restructuring

Combined authorities

- The Government states it will support local authorities who wish to create a combined authority or implement other forms of collaboration, including ensuring that the existing legislation is fit for purpose.

LGA view: We welcome this proposal and await further detail.

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