

Item 4

Autumn Statement 2012

Purpose of report

For information.

Summary

This report highlights the announcements in the Autumn Statement with implications for local government.

Recommendation

Members are asked to note the update.

Action

Officers to provide updates on any follow-up announcements and policy developments.

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1. The Chancellor of the Exchequer delivered his 2012 Autumn Statement on 5 December. The LGA provided member authorities with an on-the-day briefing about the key announcements relevant for local government and has been following up with departmental officials on the detail.
2. In addition to announcements about the future path of public spending and the next Spending Review, the Autumn Statement also confirmed that departmental budgets would be subject to further cuts in 2013-14 and 2014-15 in order for £5 billion in current spending to be switched to capital spending to be invested in infrastructure. Local government will be exempt from the 1% additional reductions to departmental budgets in 2013-14 but will be subject to the additional 2% cut in 2014-15. The cut to local government funding will amount to £447 million (reduction included in the 2014/15 provisional local government finance settlement as announced on 19 December 2012), but there is also a risk that other departments will pass on a part of their reductions by cutting their grants to local government. We have characterised the proposed additional cuts to local government as unsustainable and will press the case for any further savings to come from Whitehall departments rather than local government.
3. Local authorities will be able to access some of the capital funding that is being made available for infrastructure, although we await further detail on how this funding will be distributed. New infrastructure spending announcements included:
 - 3.1. £270 million for priority national and local projects to remove bottlenecks and support development;
 - 3.2. £333 million for national and local road maintenance;
 - 3.3. £120 million to build new flood defences;
 - 3.4. £980 million in schools to 2014-15;
 - 3.5. £310 million towards the Regional Growth Fund in England;
 - 3.6. £225 million to accelerate delivery of large housing sites;
 - 3.7. £50 million to support a second wave of cities to roll-out broadband;
 - 3.8. A new concessionary public works loan rate to an infrastructure project nominated by each Local Enterprise Partnership (excluding London), with the total borrowing capped at £1.5 billion.
4. There were positive announcements in the Autumn Statement regarding devolution of growth-related funding and skills policy, which the LGA has long called for. 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. This spending will be devolved by creating a single funding pot for local areas on the basis of the strategic plans developed by Local Enterprise Partnerships (LEPs). LEPs will also be given a role setting skills strategies consistent with national objectives and 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.

Financial Implications

5. This is core work for the LGA and is budgeted for within the 2012-13 LGA budget.