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Autumn Statement: LGA Submission

Purpose of report

Members are invited to provide a steer on the broad outlines of the Autumn Statement submission and agree to clear the final version via correspondence.

Summary

The note proposes the outlines of the LGA's submission to the Treasury in advance of the Autumn Statement. The economic and political context for the submission differs significantly from last year's statement, with the return of economic growth and spending plans set out in July.

Recommendation

Members are invited to provide guidance on the outlines of the LGA submission to the Autumn Statement and comment on the process.

Action

Officers to act on members' comments.

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Background

1. Last year's Autumn Statement¹ took place on 5 December 2012. It provided an updated Office for Budget Responsibility forecast and measures to promote growth.
2. The Chancellor announced an extra 2% cut in local government funding for 2014-15 and signalled an intention to bring forward devolutionary measures on growth (following Lord Heseltine's report²). Cuts to current budgets, including those of departments and local government, were re-cycled to invest £5.5 billion in infrastructure (with commitments on transport, broadband and flood defences) and support for businesses.
3. The context for the 2013 Autumn Statement is very different:
 - 3.1. the economy in some parts of the country is showing signs of growth³, unemployment is falling⁴ and house prices are rising in some parts of the country and falling in others⁵. Mark Carney (Governor of the Bank of England) has described "a measured recovery"⁶;
 - 3.2. the Chancellor announced departmental spending plans for 2015-16 in the July Spending Round;
 - 3.3. the local government settlement for 2014-15 and 2015-16 is currently subject to consultation⁷; and
 - 3.4. the 2015 Election will be less than 18 months away.
4. Since last year's Autumn Statement the LGA has:
 - 4.1. successfully made the financial case for community budgets⁸ and economic case for extending local growth deals;
 - 4.2. submitted a Budget submission⁹ with a wide range of proposals based on the twin pillar offers on local growth and public service reform and efficiency;

¹ <https://www.gov.uk/government/topical-events/autumn-statement-2012>

² No stone left unturned in pursuit of growth, Lord Heseltine, October 2012

³ The UK economy grew by 0.7% in the second quarter of 2013, Office of National Statistics

⁴ Unemployment was 2.49 million in February to April 2013 down 105,000 on a year earlier

⁵ http://www.ons.gov.uk/ons/dcp171778_325094.pdf

⁶ http://www.landregistry.gov.uk/_data/assets/pdf_file/0010/54001/HPIReport20130822.pdf shows annual increases of 0.8% in England and Wales but wide regional variation with prices rising 6.8% in London and falling 1.6% in the North West

⁷ Mark Carney: UK economic recovery measured, not rapid, <http://www.bbc.co.uk/news/business-23865921>

⁸ <https://www.gov.uk/government/consultations/local-government-finance-settlement-2014-15-and-2015-16-technical-consultation>

⁹ Whole place community budgets: a review of the potential for aggregation, Ernst and Young/LGA, January 2013

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- 4.3. submitted a Spending Round submission¹⁰ with a more detailed set of propositions; and
- 4.4. published proposals in *Rewiring Public Services* that could be included in the 2015 election manifestos and implemented by the post-2015 government.
5. We have made progress on:
 - 5.1. health and social care integration with the announcement of £3.8 billion investment in the Spending Round;
 - 5.2. whole place community budgets where the four original pilot areas has now been extended to a further 9 areas who are working with the Public Services Transformation Network; and
 - 5.3. City Deals which have been extended to a second wave (although the Local Growth Single Pot demonstrated both departmental determination not to devolve economic budgets and a willingness to raid local authority spending, such as the £400 million New Homes Bonus).
6. It is too early for Autumn Statement press speculation¹¹. Government is arguing that its policy to reduce the deficit has been vindicated by a return to growth and growing consumer confidence, albeit at a slow pace. The opposition is challenging back on the cost of living, wage growth, zero hours employment contracts and differences in the pace of growth across the country.
7. The Autumn Statement is likely to reinforce the direction of travel with government retaining the possibility of any fiscal loosening for the Budgets in 2014, and especially 2015, which will have greater electoral significance.

The shape of the LGA's Autumn Statement submission

8. We would welcome the Finance Panel's steer on the main pillars of our Autumn Statement submission. In broad terms, the submission is an opportunity to:
 - 8.1. **promote *Re-wiring Public Services* and give our proposals visibility.** Tactically there is a choice about either: highlighting the more radical proposals; or those ideas that are more fully formed and may have more traction, for example on bonds and settlements for the lifetime of the Parliament; or indeed doing both;
 - 8.2. **re-iterate our offers on local growth against a background of local variation in economic recovery and keep Lord Heseltine's proposals on a more devolved approach to growth alive,** particularly on skills and equipping local people to

⁹ LGA submission to HM Treasury, March 2013

¹⁰ LGA Spending round submission, April 2013

¹¹ A further extension of the doubling of the Small Business Rate Relief scheme which expires on 31 March 2014 is however probable – and we will need to protect against the loss of revenue.

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compete for new jobs and employment support for young people. Unemployment for young people is high relative to other age groups¹² and there is likely to be a concern that younger people benefit from the return of growth to the economy. The Deputy Prime Minister has commissioned a review of employment support and skills for 16 to 24 year olds which we are actively feeding into;

- 8.3. **continue to contribute to the debate on housing** (and increasing house prices especially in London and the South East) with our proposals to boost house building through the removal of the Housing Revenue Account and retention of Right to Buy receipts;
 - 8.4. **press the point that efficient implementation and achievement of intended outcomes in Universal Credit (stable, self-reliant households; people entering and staying in work etc.) is dependent on councils and local partners having a significant role;**
 - 8.5. **make the case for local public service reform and integrated services** (or put another way community budgets) particularly on children's services and education which contrasts with the pace of integration on health and social care;
 - 8.6. **re-state the contribution local government has made to deficit reduction, describe the impact on services and press for greater certainty.** We need to be clear that that government should not unpick July's Spending Round announcements and make further cuts to spending plans less than 6 months after it set them out; and
 - 8.7. **consult the sector, and finance directors in particular, on the financial flexibilities that would help them manage within their budgets and additional grant reductions for 2014-15 and 2015-16.** We need to have a balanced package of proposals that look ahead to post-2015 and also find ways to help councils manage within their current financial constraints.
9. We have found that the Anycouncil analysis is a powerful way to communicate our proposals and their impact. We would propose updating this analysis to show both: the consequences of the Spending Round announcements (including the impact of the higher real terms reduction implied at the time of the Spending Round); and how our measures would help deliver the government's objectives on service provision and growth.

Timing and process

10. Our working assumption is an Autumn Statement at the end of November or early December, although what follows below may change when the Treasury provides more clarity on the timetable. To influence government's deliberations, we need to submit proposals during October and follow-up with Ministerial meetings.

¹² The unemployment rate is 7.8% for working age people over 16 and 21.4% for 16 to 24 year olds.
http://www.ons.gov.uk/ons/dcp171778_319808.pdf

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11. There are various ways in which we will engage members in the preparation of the submission, for example through the monthly LGA Finance Bulletin and the officer networks we convene.
12. A key objective over the next six weeks will be to identify any flexibilities that will help councils undertake the transformation necessary to manage within the spending reductions set out for 2014-15 and 2015-16, for example on the use of capital receipts or a concessionary Public Works Loan Board (PWLB) rate.
13. The LGA's Core Advisers on finance would be able to input into the submission at their meeting on 30 September.
14. The LGA Executive on 24 October provides an opportunity to sign off the submission, although members may feel there is a case for an earlier submission that allows more time for the political lobbying and communications that would follow from it.
- 15. Given the need to present a submission in October, the Finance Panel would need to clear and comment on the submission in between its September and November meetings. At this stage members are invited to comment on the broad outlines and the process.**

Financial Implications

16. The costs of this activity are contained within the LGA's Business Plan.