Local Government Association
Autumn Statement - On the Day Briefing
23 November 2016

Local Government Association

Briefing

Introduction

The Autumn Statement provides a formal update on the state of the economy, responds to the new economic and fiscal forecast from the Office for Budget Responsibility and announces the Government's measures to promote economic growth.

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

The LGA has also circulated a number of media statements responding to today's announcement:

LGA overall media statement

LGA social care media statement

LGA housing media statement

LGA industrial strategy media statement

LGA transport media statement

LGA digital infrastructure media statement

Key Messages

- We are disappointed that the Government has failed to address a number of issues of significance to local government:

    - **Social care:** Councils, the NHS, charities and care providers have been clear about the desperate need for the Chancellor to take action to tackle the funding crisis in adult social care. It is unacceptable that this has not been addressed in the Autumn Statement. The Government must take urgent action to properly fund social care if councils are to stand any chance of protecting the services which care for the elderly and vulnerable. Extra council tax-raising powers will not bring in enough money to alleviate the pressure on social care and councils will not receive the vast majority of new funding in the Better Care Fund until the end of the decade. Services supporting elderly and vulnerable people are at breaking point now. We cannot ignore this challenge any longer and the Government must inject genuinely new additional funding.

    - **Education Services Grant:** The Government is pressing ahead with the planned £600 million cut to the Education Services Grant, despite deciding not to go ahead with the Education for All Bill

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which would have removed councils' school improvement duties. Councils will now have duties with no funding to pay for them.

- Government department spending control totals remain unchanged. We expect further information on spending priorities in departmental announcements. It is clear that additional funding is needed to address the aforementioned funding pressures and we would welcome publication of the Local Government Finance Settlement as soon as possible.

- The Government has consulted on reforms to the New Homes Bonus and we expect to see a response to this consultation in the Finance Settlement.

- It is good news for local government that the Autumn Statement has accepted our call for measures to boost affordable housebuilding, which must be supported by adequate infrastructure, and which would help councils make a start on tackling some of the nation's roads repair backlog and improve broadband.

- We welcomed the pre-Autumn Statement announcement that the planned pay to stay policy is to become voluntary. We need urgent clarification regarding the Government's intention regarding receipts from high value asset sales.

- The next few years will be extremely challenging for councils who we estimate face an overall £5.8 billion funding gap by 2020. Many councils are faced with difficult decisions about which services are scaled back or stopped altogether. The Government must allow local government to use the extra business rates income it will keep by 2020 to plug this growing funding gap.

This briefing covers the following areas announced today:

Adult social care
Housing
Supported Housing
Local growth
Local infrastructure
Education Services Grant
Flooding
Local transport
Digital infrastructure
Devolution
Employment support and adult skills
Business rates
National Living Wage
National Insurance
Off payroll working rules
Taxation, salary sacrifice, benefits in kind and expenses
Shale Wealth Fund
Universal Credit taper
Licensing and tax conditionality
Violence against women and girls
Pension scams
Loan sharks
Prison safety and wider reforms to the justice system
EU funding
Public finance

Adult social care

The Chancellor was silent on adult social care.

LGA view:

- In recent months the entire care and health sector, including councils, providers, charities, the NHS, health economists, Parliamentarians and the Care Quality Commission have united around the urgent need to address the unsustainable pressures facing adult social care and the growing funding gap those pressures are creating. The Government's failure to act on these calls, and by implication its insistence that adult social care has the resource it needs, is unacceptable. The absence of additional funding will have knock-on effects on the viability of providers and the sustainability of the NHS. Most importantly, the impact will fall on residents. Unmet need is likely to increase and elderly and vulnerable people will continue to face an uncertain future in which they might not receive the care they need to support their independence and wellbeing. Those receiving services may see further reductions in the care and support they receive.

- The LGA estimates that adult social care faces a funding gap of £1.3 billion by 2019/20 (even with the measures announced in the 2015 Spending Review) based on pressures caused by demography, inflation and the National Living Wage. In addition to this, LGA analysis of 'fair price' of care calculations developed by provider organisations suggests that the scale of the immediate challenge could be in the order of at least £1.3 billion. This is the minimum requirement to stabilise the provider market meaning that a total of at least £2.6 billion is needed by the end of the decade.

- Immediate and medium-term challenges of this scale simply cannot be ignored any longer. As a country we need far greater recognition of why social care matters and why it must be treated as a national priority. If councils are to stand any chance of protecting such vital services that support elderly and vulnerable people then we need urgent action to put social care on a sustainable financial footing. This must mean genuinely new additional funding.

Housing

Housing Infrastructure Fund

The Chancellor confirmed:

- A £2.3 billion Housing Infrastructure Fund up to 2020/21 to deliver infrastructure that will support the building of 100,000 new homes in high demand areas, which will be allocated to local government on a competitive basis *(Page 27, paragraph 3.11).*

LGA view:

- The LGA is pleased with the commitment to invest in infrastructure that is linked to housing growth, reflecting our Autumn Statement recommendation that housing be treated as a crucial part of local infrastructure, and our preliminary Housing Commission findings that infrastructure spending be increasingly linked to housing growth.

- Local communities are far more likely to back development when they know that it will come with the associated investment in necessary local services and infrastructure. It is important that councils are able to shape investment through the fund to ensure that it helps build the right homes in the right places, with the right supporting infrastructure.

Investment in affordable housing

The Chancellor announced:

- An additional £1.4 billion of funding for building an additional 40,000 homes from the Affordable Homes Programme up to 2020/21, with flexibility to build affordable rented, shared ownership and rent to buy homes across the whole programme (*Page 27, paragraph 3.11).*

LGA view:

- The renewed investment in building affordable homes is welcome; it will help councils, housing associations and partners to build more affordable rented homes. In our Autumn Statement submission the LGA argued for renewed investment in affordable house building as crucial, shovel-ready infrastructure that delivers long-term returns to the Exchequer. Councils should be central to the delivery of building this housing.

- The emphasis on the flexible use of this investment in different tenures is important, this should extend to social rented homes that will be crucial to meeting the needs of some communities and putting less pressure on the Housing Benefit budget. It is important that councils, working with partners, are able to ensure that new house building across social rent, affordable rent and low-cost home-ownership meet the different needs of local communities.

Extension of Right to Buy pilots

The Chancellor announced:

- Government will fund a large-scale regional pilot of the Right to Buy for housing association tenants (*Page 27, paragraph 3.13).*

LGA view:

- It is important that the Government will properly pilot the extension of the Right to Buy. We are pleased that the costs for this are being met by the Government and that the LGA's arguments have been heard.

- In our submission to the Autumn Statement the LGA called for the extension of the Right to Buy and the sale of high value council assets policies to be decoupled. We have argued that it should be voluntary for councils to decide whether or not to sell their higher value homes, and that they be able to keep 100 per cent of receipts to invest in building new homes.

- We have argued that the extension of Right to Buy should not be funded by forcing local authorities to sell higher value council homes. We would like to see this confirmed in the Local Government Finance Settlement.

Accelerated construction

The Chancellor reconfirmed:

- The Government will pilot accelerated construction on public sector land backed by up to £2 billion (*Page 27, paragraph 3.12).*

LGA view:

- Local government is committed to releasing land effectively and bringing together local partners to bring forward land for development. We will work with the Government to invest in more building on public sector land, for instance through our One Public Estate programme.

- We would urge the Government to ensure that all parts of the public sector are encouraged and incentivised to engage fully.

Pay to Stay

The Chancellor confirmed:

- The Pay to Stay scheme would be voluntary for councils, rather than mandatory *(Page 44, paragraph 5.7).*

LGA view:

- The LGA is pleased that the Minister of State for Housing and Planning, Gavin Barwell MP and the Chancellor of the Exchequer, Philip Hammond MP, have accepted our call for Pay to Stay to be voluntary for councils. Local government has been working hard with the Government to make sure it was aware of the difficult, lengthy and costly process in seeking to implement the policy.

- Making Pay to Stay mandatory would have affected thousands of social housing tenants across the country, with the average affected households seeing their rents rise by £1,065 a year. Councils would have needed to invest millions in new IT systems, hire new staff and write to over a million social housing tenants to try and understand household income and approve individual tenant bills.

Social rent down-rating

The Chancellor confirmed:

- Refuges, alms-houses, community land trusts and co-operatives will be exempt from the reduction of social rents by 1 per cent a year for four years from 2016/17 *(Page 44, paragraph 5.5).*

LGA view:

- Councils should have flexibilities to decide how they set their rents. The move to provide certainty for exempting certain specialised housing from the social rent cut is welcome. We will work with the Government and councils to explore how this certainty of income from future rents can help enable councils to build more homes now, including linking to wider flexibilities to replace homes sold through Right to Buy.

Letting agent fees

The Chancellor confirmed:

- The Government will ban letting fees for tenants, and will consult before bringing in legislation *(Page 31, paragraph 3.41).*

LGA view:

- Excessive letting agent fees are a concern for many tenants and councils, hampering access to the market which in turn places pressure on housing of other tenures including social housing. The proposed ban on letting agent fees for tenants will bring welcome clarity and direction to a sector that has a powerful influence on the cost of renting. The consumer protection role for councils on letting agents has already expanded to include enforcement of compliance with redress schemes and transparency of fees. The enforcement of the ban on fees for tenants will need to be properly thought through and resourced.

- We share the Government's concern about the lack of clarity for private tenants. The current legal and regulatory system is out of date and requires reform to match the pace of the reality of the current private rented housing market. The sheer volume and complexity of regulations governing the sector can be confusing for landlords, tenants and councils. The Government should review and modernise the framework to support councils' ability to meet the expectations of their residents.

Local Housing Allowance cap and Supported Housing

The Chancellor announced:

- The implementation of the cap on Housing Benefit and Local Housing Allowance rates in the social rented sector will be delayed by one year, to April 2019. The cap will be applied to all supported housing tenancies from April 2019, and the Government will provide additional funding to Local Authorities, so that they can meet the additional costs of supported housing in their area. For general needs housing, the cap will now apply from April 2019 for all tenants on Universal Credit, and to Housing Benefit tenants whose tenancies began or were renewed since April 2016. The Government has set out the cost of this decision as £305 million in 2018/19, moving to an income of £125 million in 2021/22. *(Page 22, table 2.1 and Section 6; Page 44, paragraph 5.5).*

LGA view:

- We are pleased that the Government has listened to the LGA by committing to provide top-up funding above the level of the Local Housing Allowance cap to local authorities to meet the costs of supported housing in their areas. We are calling on the Government to ensure that this covers the full cost of supported housing in each locality and that councils are not left with a shortfall.

- We have yet to see detailed proposals from the Government regarding the volume of top-up funding going to local authorities and how this will be allocated. Adequate funding and distribution is vital to the future availability and sustainability of supported housing for some of our most vulnerable residents. The LGA will respond to the supported housing consultation published on 22 November 2016.

Local growth

The Chancellor announced:

- The Government will award £1.8 billion to Local Enterprise Partnerships (LEPs) across England through a third round of Growth Deals. £556 million of this will go to the north of England, £392 million to the midlands, £151 million to the east of England, £492 million to London and the south east, and £191 million to the south west *(Page 33, paragraph 3.49).*

LGA view:

- Local areas will welcome Government's commitment to local growth as council leaders working with their business leaders are best placed to understand and bring improvements to their economies and boost productivity. However, LGA commissioned independent research identified £23.5 billion of identified planned Government spending on growth that is spread across 70 funding streams, managed by 22 government departments and agencies, each with different objectives, timetables and rules. Outside of devolved areas there is very limited or no local influence in well over half of these funding streams. This makes it difficult to join up interventions and achieve economic and social regeneration. The Government should reduce this fragmented approach to funding and ensure that combined authorities and councils have much greater influence and control over public investment in growth.

Local infrastructure

The Chancellor has announced:

- The Government will consult on lending local authorities up to £1 billion at a new local infrastructure rate of gilts + 60 basis points for three years to support infrastructure projects that are high value for money. This represents an interest rate saving of 0.2 per cent on that rate (*Page 33, paragraph 3.49).*

LGA view:

- Since November 2013 the Government has offered lending at a rate of gilts plus 60 basis points in respect of an infrastructure project nominated by a Local Enterprise Partnership (LEP). An extension of this to local authorities for local infrastructure more generally would be welcome.

Education Services Grant

The Chancellor was silent on the Education Services Grant.

LGA view:

- We are disappointed that the Government is pressing ahead with the planned £600 million cut to the Education Services Grant, despite deciding not to go ahead with the Education for All Bill which would have removed councils' school improvement duties. Councils will now have duties with no funding to pay for them.

- Councils will be expected to continue to ensure all children have a place in an excellent school and that schools are supported to improve, but with less than 25 per cent of current funding. We also have yet to be convinced that the Regional Schools Commissioners and other school improvement support structures have the track record, the capacity or the geographical coverage to replace the council role in supporting 13,000 maintained schools to improve. So this reduction in funding will leave a gap in support for the majority of schools in England.

Flooding

The Chancellor has announced:

- Investment of £170 million in flood defence and resilience measures. £20 million of this investment will be for new flood defence schemes, £50 million for rail resilience projects and £100 million to improve the resilience of roads to flooding *(Page 29, paragraph 3.25).*

LGA view:

- This provides clarity on how a proportion of the £700m additional funding for flood defences announced at Budget 2016 will be allocated. It is vital that investment in capital and maintenance is joined-up as part of a long-term approach to improving local flood defence and resilience infrastructure. Devolving capital and revenue funding for flood risk management projects into a single, place-based pot would allow local areas to support a more diverse set of outcomes and local priorities.

Local Transport

The Chancellor has announced:

- A National Productivity Investment Fund (NPIF) which will provide an additional £1.1 billion by 2020-21 in new funding to relieve congestion and deliver much-needed upgrades on local roads and public transport networks (*Page 28, paragraph 3.17).*

LGA view:

- The increase in funding for our local roads is a step in the right direction but further detail is needed as to how councils will be able to use this additional resource towards local roads and public transport to help local people and businesses. We are pleased that the Government seems have listened to us on the importance of investing in local roads, particularly those that are heavily congested.

- However this does little to help councils tackle the backlog of repairs on existing roads, which currently stands at £12 billion and take 14 years to fix the backlog of potholes. Over the remaining years of the decade the Government will invest more than £1.1 million per mile in maintaining national roads - which make up just 3 per cent of all total roads. This level of investment contrasts starkly with the £27,000 per mile investment in maintaining local roads, which are controlled by councils and make up 97 per cent of England's road network. Councils need the ability to plan vital roads infrastructure for the long-term as is the case for the national roads and rail networks.

Digital infrastructure

The Chancellor has announced:

- The Government will invest more than £1 billion by 2020/21, including £740 million through the National Productivity Investment Fund, targeted at supporting the market to roll out full-fibre connections and future 5G communications.

- This also includes £400 million for a new Digital Infrastructure Investment Fund, at least matched by private finance, to invest in new fibre networks over the next four years.

- There will also be a new 100 per cent business rates relief for new full-fibre infrastructure for a five year period from 1 April 2017 (*Page 28, paragraph 3.20*).

LGA view:

- Access to fast and reliable digital connectivity is a necessity for households and businesses across the UK. While the announcement of new investment for digital infrastructure is good news, Government must not lose sight of the needs of rural communities already struggling to receive a basic broadband service.

- To fully benefit these communities this fund will need to encourage and help scale up smaller suppliers with the ambition to work outside the low-hanging fruit of better connected areas. The Government must also strengthen its Universal Service Obligation with a minimum download speed which rises in tandem with national averages, and obligations on suppliers to provide a minimum level of upload speed.

- While the announcement of significant new investment in 5G technology has the potential to make Britain a global leader in mobile digital connectivity, many outside our larger cities currently struggle to access 4G or even 3G technology. Local government is committed to exploring with the mobile industry, regulators and Government how best to ensure residents across the country can benefit from public investment in new technology, wherever they live.

- We understand that the business rates relief measures will be fully funded by central government. Measures such as this reduce the quantum available for business rates retention. We call on the Government to make it clear that this will also apply after the introduction of full business rates retention.

- Local government has already committed over £700 million through the Superfast Broadband Programme to help suppliers connect hard to reach residents.

Devolution

The Chancellor announced:

- Government remains committed to devolving powers to support local areas and that the Government will continue to work towards a second devolution deal with the West Midlands Combined Authority and will begin talks on future transport funding with Greater Manchester *(Page 33, paragraph 3.5).*

- Government will give mayoral combined authorities powers to borrow for their new functions, which will allow them to invest in economically productive infrastructure, subject to agreeing a borrowing cap with HM Treasury *(Page 33, paragraph 3.49).*

- The Government has published a strategy setting out an overall approach to building the Northern Powerhouse, through addressing the key barriers to productivity that the region faces. The Government will also publish a Midlands Engine strategy shortly (*Page 33, paragraph 3.51).*

LGA view:

- We are pleased the Government remains committed to devolution but are disappointed not to see further devolution deal announcements in the Autumn Statement. We are hopeful of further announcements, particularly for non-metropolitan areas, in due course. Devolution can have a positive impact on local communities, businesses and residents across the country, improving services and saving money. All areas want to grasp the full opportunities presented by having greater powers and funding to improve services such as skills, housing, transport and health and social care.

- If momentum on devolution is lost, billions of pounds worth of economic growth, hundreds of thousands of jobs and homes on offer through greater local leadership will be lost with it.

- The Government needs to be more flexible in its negotiations and recognise that not all deals need to follow the same governance framework. This is vital to get more deals agreed quickly and to spark the widespread transfer of powers and responsibilities to the whole of England that can boost the economy and improve people's lives.

- We welcome the announcement to introduce new borrowing powers that reflect the broad range of combined authorities' new functions. However, this should not be contingent on one particular governance model and should be available to all devolution deal areas. We also believe combined authorities should have the same power to borrow under the prudential regime that governs council borrowing and should not be subject to a cap imposed by the Treasury.

<u>Employment support and adult skills</u>

The Chancellor announced:

- Budgets for the Work and Health Programme (WHP) will be transferred to London and Greater Manchester. This is subject to the two areas meeting certain conditions, including on co-funding (*Page 33, paragraph 3.50).*

- The Government will devolve the adult education budget to London from 2019-20, subject to readiness conditions *(Page 33, paragraph 3.50).*

LGA view:

- The Government's devolution of financial responsibility for the Work and Health Programme to London and Greater Manchester, which we note is conditional on co-investment, is a positive development. However, we are disappointed that the Government has not sought to extend devolution of the WHP to all areas across England. If groups of councils were given sufficient influence over the WHP national programme to tackle worklessness and help reduce the disability employment gap, many would have also co-invested local resources with WHP.

- Further devolution of the adult education budget is a step in the right direction. The LGA is now calling for urgent guarantees from national Government to reform Whitehall's national approach to commissioning employment and skills funding, worth £10.5 billion a year, which is fragmented, costly, and fails to address the of needs of local residents and employers across England. Across England's local economies, we need to tackle worklessness, create jobs, meet employers' skills gaps and shortages, and train people for current and pipeline jobs, including through the Industrial Strategy. This requires groups of councils, working with local business and partners, to be given the full freedom and flexibility to integrate disparate funding streams around a single, place-based strategy based on the needs of people and employers rather than separate institutions.

- The LGA has called for the transfer of funding and responsibility for employment and skills as part of the move to 100 per cent business rates retention by the sector.

Business rates

The Chancellor announced:

- New fibre-optic broadband will qualify for 100 per cent business rate relief for a 5 year period from 1 April 2017. *(Page 28, paragraph 3.20).*

- The Government will double rural rate relief to 100 per cent from 1 April 2017 *(Page 40, paragraph 4.33).*

- The Government has also confirmed the transitional scheme they will use for the 2017 revaluation. Any rise will be capped at 5 per cent in the first year for small properties with the total value of transitional relief being worth a total £3.6 billion over five years. This will be paid for by caps on reductions to businesses which gain from the revaluation, with smaller businesses having reductions phased in to a lesser extent than those for larger businesses, which will have their maximum increase in the first year reduced from 45 per cent to 42 per cent.

LGA view:

- The business rates relief measures must be fully funded by central government before the implementation of business rate retention reform.

- Measures such as this reduce the quantum available for business rates retention. We call on the Government to make it clear that this will be reflected during the reform process.

- The change to rural rate relief will be welcome to small businesses in rural areas.

- However, as requested in our Autumn Statement submission, we would call on the Government to give councils freedom to target reliefs in the light of their local knowledge.

- Local government has already committed more than £700 million through the Superfast Broadband Programme to help suppliers connect hard to reach residents.

National Living Wage

The Chancellor announced:

- Following the recommendations of the independent Low Pay Commission, the National Living Wage (NLW) will be increased by 4.2 per cent from £7.20 to £7.50 from April 2017. The target for the NLW to reach 60 per cent of median earnings is restated, subject to sustained economic growth. This is estimated to mean a pay rise for over a million workers (*Page 32, paragraph 3.46*).

LGA view:

- The LGA supports the introduction of the NLW and notes the increase and statement of policy. We will continue to study the implications closely in view of the consequences for costs in social care, in particular, and the need to plan carefully for employment costs over the spending review period.

- In our submission to the Autumn Statement we made clear that the fragility of the adult social care provider market is a real concern in many areas. LGA analysis of 'fair price' of care calculations developed by provider organisations suggests that the scale of the immediate challenge could be in the order of at least £1.3 billion. This is the minimum requirement to stabilise the provider market.

- Further analysis is urgently needed to understand how the increase in the National Living Wage will impact on costs to adult social care providers.

National Insurance

The Chancellor announced:

- As recommended by the Office of Tax Simplification (OTS), the National Insurance secondary (employer) threshold and the National Insurance primary (employee) threshold will be aligned from April 2017, meaning that both employees and employers will start paying National Insurance on weekly earnings above £157 *(Page 35, paragraph 4.7).*

LGA view:

- This will result in a new cost burden on local government. Councils expect this to be funded appropriately in line with the new burdens doctrine.

Off-payroll working rules

The Chancellor announced:

- Reforms to off-payroll working rules in the public sector from April 2017 by moving responsibility for operating them, and paying the correct tax, to the body paying the worker's company. In response to feedback during the consultation, the 5 per cent tax-free allowance will be removed for those working in the public sector, reflecting the fact that workers no longer bear the administrative burden of deciding whether the rules apply *(Page 36 paragraph 4.11).*

LGA view:

- The LGA has long taken the view that off-payroll working arrangements need to be used very carefully and with proper justification. This is a confirmation announcement and we will continue to explore the administrative implications for councils as employers. It is imperative that the full implications of these proposals are understood. We objected to these reforms being applied only to the public sector and will seek clarification as to whether they will be introduced consistently across sectors.

<u>Taxation, salary sacrifice, benefits in kind and expenses</u>

The Chancellor announced:

- Following consultation, the tax and employer National Insurance advantages of salary sacrifice schemes will be removed from April 2017, except for arrangements relating to pensions (including advice), childcare, Cycle to Work and ultra-low emission cars. Arrangements in place before April 2017 will be protected until April 2018, and arrangements for cars, accommodation and school fees will be protected until April 2021.

- The Government will consider how benefits in kind are valued for tax purposes, publishing a consultation on employer-provided living accommodation and a call for evidence on the valuation of all other benefits in kind at the 2017 Budget.

- The Government will publish a call for evidence at Budget 2017 on the use of the income tax relief for employees' business expenses, including those that are not reimbursed by their employer *(Page 36, paragraph 4.13).*

LGA view:

- We will study the implications of these announcements for the use of employee incentives as tools to improve recruitment, retention and productivity. We will respond to any consultations as they are announced.

<u>Shale Wealth Fund</u>

The Chancellor announced:

- Following a consultation to ensure local communities share in the benefits of shale production, the Shale Wealth Fund will provide up to £1 billion of additional resources to local communities, over and above industry schemes and other sources of Government funding. Local communities will benefit first and determine how the money is spent in their area (*Page 29, paragraph 3.24).*

LGA view:

- Any shale gas development schemes should be a matter for local decision making and therefore be considered through the local democratic planning system.

- We have welcomed the continued commitment from the Government to set up a Shale Wealth Fund from shale gas tax revenues. Local government has a central role to play in ensuring that governance arrangements reflect community preferences and offer accountability. Therefore, it is crucial that they are involved in designing and administering schemes in their areas.

- The Fund, should, where possible, seek to benefit affected communities as a whole (as opposed to paying individual households) to ensure that any benefits have a lasting legacy; be flexible in its approach to meet the needs of diverse communities and also ensure communities have a say in how any funds are spent.

- The Government's commitment to the Shale Wealth Fund should also be put on a statutory footing, to ensure that communities continue to benefit from the tax revenues arising throughout the whole lifetime of shale gas production.

Universal Credit taper

The Chancellor announced:

- From April 2017, the taper rate - the constant withdrawal rate on net earnings - that applies in Universal Credit will be reduced from 65 per cent to 63 per cent. This will let individuals keep more of what they earn. The Government has estimated that 3 million households will benefit from this change *(Page 43, paragraph 5.3).*

LGA view:

- The reduction in the taper rate is positive news for working households and will help to restore the original ambition of Universal Credit to ensure that claimants are better off in employment. However, the overall freeze on working age benefits will continue to place considerable and mounting pressure on low income households.

- We remain concerned about the impact of the freeze to the Local Housing Allowance which, coupled with rising rents, is contributing to a growing affordability gap in many parts of the country. This places unsustainable pressure on councils' limited resources to prevent homelessness and provide a local safety net for vulnerable people.

Licensing and tax conditionality

The Chancellor announced that:

- The Government is considering whether access to licenses and services (including some local authority licenses) should be conditional on businesses being registered for tax purposes (*Page 42, paragraph 4.56).*

LGA view:

- The LGA supports the principle of preventing businesses from entering the ‘hidden economy’, but any checks introduced must be able to be undertaken quickly and simply, without shifting the administrative and financial burden of monitoring tax compliance from HMRC to councils.

- The LGA also believes that the principle of conditionality could be extended to licensed businesses more widely, to enable councils to suspend the licences of businesses that repeatedly fail to pay their business rates.

Violence against women and girls

The Chancellor has announced:

- The Government will award £3 million to Comic Relief to distribute to a range of women’s charities. The Government will also invite applications from charities from 1 December 2016 for the next round of ‘tampon tax’ funding to support women’s charities, including those running programmes that tackle violence against women and girls *(Page 45, paragraph 5.15).*

LGA view:

- Violence against women and girls is a serious issue and councils work with a range of statutory and voluntary sector partners to support victims and reduce offending.

- The Government should allow local authorities to apply for the next round of ‘tampon tax’ funding alongside women’s charities. This will help to support councils and the police in bringing together a range of partners, especially health, to invest in and share the savings resulting from commissioning a whole systems approach that includes prevention and early intervention to reduce incidents of domestic abuse, in particular by repeat offenders.

Pension scams

The Chancellor has announced:

- The Government will shortly publish a consultation on options to tackle pension scams, including banning cold calling in relation to pensions, giving firms greater powers to block suspicious transfers and making it harder for scammers to abuse ‘small self-administered schemes’ *(Page 31, paragraph 3.42).*

LGA view:

- Councils and the National Trading Standards Scams Team are at the forefront of protecting consumers from scams and attempts to defraud them, and there be implications for local authorities in the options identified in the consultation to reduce pensions scams. The LGA will consider the consultation once published and respond as necessary to the proposals outlined in it.

‘Loan sharks’

The Chancellor has announced:

- That from 2018 it will expand an existing scheme which incentivises credit union membership in communities at risk of being targeted by loan sharks. This will use funds recovered under the Proceeds of Crime Act from convicted loan sharks *(Page 32, paragraph 3.45).*

LGA view:

- 'Loan sharks' prey on some of the most vulnerable individuals and communities, causing misery and often resorting to threats, verbal abuse and violence to get money from their victims. Councils and National Trading Standards' illegal money lending teams lead the work to tackle loan sharks, and measures that reduce the need for people to resort to illegal money lenders will assist in this work.

<u>Prison safety and wider reforms to the justice system</u>

The Chancellor has announced:

- The Government will provide up to £500 million of additional funding across the period to the Ministry of Justice as part of the national prison safety and Reform white paper, which will fund the recruitment of extra prison officers, and also fund wider reforms to the justice system *(Page 45, paragraph 5.17).*

LGA view:

- The LGA has long supported reform of the rehabilitation of offenders to reduce crime. Assistance to offenders in finding employment and accommodation as they leave prison, improving their education and reducing substance misuse, is vital in reducing the likelihood they will go on to reoffend. New provision for women offenders is a particular priority as many of them are held in prisons at a higher security level than they need, and few have the opportunity to spend time in an open prison prior to release. Investment in measures to support the rehabilitation of offenders will assist in reducing crime, but the plans the Government indicated it would be publishing to further reform the criminal justice system earlier in the year to give police and crime commissioners a greater role have still not been announced.

<u>EU funding</u>

The Chancellor was silent on EU funding.

LGA view:

- Following the result of the referendum to leave the EU, the LGA called for a guarantee around the future of all of the £5.3 billion in EU regeneration funding promised to local areas by 2020.

- We are pleased that prior to the Autumn Statement the Government has accepted our call to provide much-needed further guarantees. This money will create jobs, build infrastructure and boost local growth across the country.

- Following today's statement we will be seeking to clarify with the Government what measures it will be taking to ensure the maximum numbers of funding bids are agreed and signed with minimal bureaucracy, by the time we exit the EU.

- The Government also needs to begin discussions with local government and businesses about a successor scheme of at least equal value after the UK leaves the EU which is based on local growth priorities.

- Treasury figures indicate a net contribution of £8.5 billion annually to the EU. Post exit, the Government has choices on how any such funds are redeployed. The next few years will be extremely challenging for councils who we estimate face an overall £5.8 billion funding gap by 2020. The Government must consider the needs of our local communities as post-exit financial decisions are made.

<u>Change from Autumn Statement to Autumn Budget</u>

The Chancellor announced:

- The Government intends to move towards having a single major fiscal event each year. Following the spring 2017 Budget and Finance Bill, Budgets will be announced in the autumn. The first one will take place in autumn 2017. The OBR will produce a spring forecast from spring 2018 and the Government will make a Spring Statement responding to that forecast. The Statement will review wider economic and fiscal challenges and launch consultations. The Government will retain the option to make changes to fiscal policy at the Spring Statement if the economic circumstances require it *(Page 35, paragraph 4.1).*

LGA view:

- The Government should use this opportunity to review the timing of the Local Government Finance Settlement with a view to bringing it forward in the calendar year as much as possible. This would help local authorities with their budgetary planning.

<u>Public finance</u>

- The Government remains committed to the departmental spending plans set out in Spending Review 2015 *(Page 43, paragraphs 5.1).*

- The Government reaffirmed its commitment to identify a further £3.5 billion of savings from public spending in 2019/20 following an Efficiency Review. Up to £1 billion of these savings will be reinvested in priority areas. The Efficiency Review will report on progress in autumn 2017 *(Page 16, paragraphs 1.53-1.55).*

- Departmental resource (revenue) spending will continue to grow with inflation in 2020-21, as set out in Budget 2016. Departmental spending will also grow with inflation in 2021-22 *(Page 16, paragraphs 1.56).*

- The table below sets out the Treasury's latest plans for revenue and capital expenditure for the current financial year and up to 2021-22. Individual departmental spending limits up to 2019-20 were set out in the Spending Review and Autumn Statement 2015. Detailed information for subsequent years will be set out in a future spending review *(Page 17, table 1.5).*

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22

	£ billion					
Resource (Revenue) Expenditure						
Resource DEL excl. depreciation	370.2	386.9	400.3	407.2	421.1	439.8
Ringfenced depreciation	309.0	304.2	306.3	305.6	311.5	317.6
Resource AME	20.6	21.9	22.8	23.3	21.9	22.8
Public Sector Current Expenditure	**699.8**	**713.0**	**729.4**	**736.2**	**754.5**	**780.1**
Capital Expenditure						
Capital DEL	26.6	26.7	25.8	27.3	30.4	32.0
Capital AME	52.3	57.2	59.2	60.2	70.6	74.2
Public Sector Gross Investment	**79.0**	**84.0**	**85.1**	**87.5**	**101.1**	**106.3**
Total Managed Expenditure (TME)	**778.8**	**797.0**	**814.5**	**823.7**	**855.6**	**886.4**
TME % of GDP	*39.9%*	*39.8%*	*39.1%*	*38.0%*	*38.0%*	*37.8%*

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
				£ billion			
Budget 2016 Borrowing / (Surplus) Forecast	**72.2**	**55.5**	**38.8**	**21.4**	**-10.4**	**-11.0**	**n/a**
Classification changes	n/a	0.5	0.4	0.5	6.4	4.1	n/a
Forecast Changes	3.9	11.2	17.2	20.1	17.7	18.1	n/a
of which receipts	*2.0*	*6.7*	*9.3*	*13.1*	*15.2*	*15.3*	*n/a*
of which debt interest spending	*-0.7*	*0.8*	*-0.8*	*-3.4*	*-4.5*	*-4.3*	*n/a*
of which other spending	*2.5*	*3.7*	*8.7*	*10.4*	*6.9*	*7.0*	*n/a*
Forecast pre-policy decisions	**76.0**	**67.2**	**56.4**	**42.0**	**13.6**	**11.2**	**11.6**
Effects of Government decisions	0.0	0.9	2.5	4.5	8.4	9.6	5.6
Autumn Statement 2016 Borrowing Forecast	**76.0**	**68.2**	**59.0**	**46.5**	**21.9**	**20.7**	**17.2**

- The Government will no longer seek to achieve a fiscal surplus in this Parliament *(Page 11, paragraph 1.35).*

- Public sector net borrowing (PSNB) is higher than forecast at Budget 2016 for all future years. This reflects that by 2020-21 receipts are £15 billion lower than previously forecast, as result of lower income tax and National Insurance Contributions (NICs), partly offset by higher corporation and other taxes. Spending is higher by 2020-21 due to previously announced changes in welfare spending and higher inflation which offset savings from lower debt interest payments *(Page 12, paragraph 1.39).*

- The table below shows the changes in the borrowing forecast since the Budget announcement in March 2016 *(Page 17, Table 1.3).*

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
				£ billion			
Budget 2016 Borrowing / (Surplus) Forecast	**72.2**	**55.5**	**38.8**	**21.4**	**-10.4**	**-11.0**	**n/a**
Classification changes	n/a	0.5	0.4	0.5	6.4	4.1	n/a
Forecast Changes	3.9	11.2	17.2	20.1	17.7	18.1	n/a
of which receipts	*2.0*	*6.7*	*9.3*	*13.1*	*15.2*	*15.3*	*n/a*

of which debt interest spending	*-0.7*	*0.8*	*-0.8*	*-3.4*	*-4.5*	*-4.3*	*n/a*
of which other spending	*2.5*	*3.7*	*8.7*	*10.4*	*6.9*	*7.0*	*n/a*
Forecast pre-policy decisions	**76.0**	**67.2**	**56.4**	**42.0**	**13.6**	**11.2**	**11.6**
Effects of Government decisions	0.0	0.9	2.5	4.5	8.4	9.6	5.6
Autumn Statement 2016 Borrowing Forecast	**76.0**	**68.2**	**59.0**	**46.5**	**21.9**	**20.7**	**17.2**