

Autumn Statement 2016

Purpose of report

For information.

Summary

This report highlights the announcements in the 2016 Autumn Statement with implications for local government. The full [on-the-day briefing](#) is on the LGA website.

Recommendation

That the LGA Resources Board discuss the content of the report and share their views.

Action

LGA Officers to proceed as directed.

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Autumn Statement 2016

Background

1. The Chancellor of the Exchequer delivered his 2016 Autumn Statement on 23 November. The LGA provided councils, MPs and Peers including our Vice Presidents and selected stakeholders with an on-the-day briefing on the key announcements relevant to local government. 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 the final Autumn Statement. After the 2017 Budget (due to take place in the spring), the Government will move to Budgets being announced in the autumn. The Chancellor will still respond to economic forecasts made by the Office of Budget Responsibility in March each year, but these are not intended to be major fiscal events.
3. The [on-the-day briefing](#) contains most of the proposals affecting councils.

The key messages on public spending

4. The Chancellor did not reopen the Spending Review, including the spending totals affecting local government.
5. The Autumn Statement included overall spending limits for the lifetime of the Parliament. Most notably, the Chancellor:
 - 5.1. Postponed achievement of an overall public sector surplus to the next Parliament.
 - 5.2. Increased borrowing estimates for each year of this Parliament.
 - 5.3. Announced policies which will increase Government spending by almost £10 billion in 2020/21.
6. The Government will review public spending priorities at the next Spending Review. However, overall departmental resource spending will increase in line with inflation in 2020/21 and 2021/22.
7. The Chancellor confirmed his intention, announced in the 2016 Budget, to seek a further £3.5 billion of departmental savings by 2019/20 through an efficiency review. However, £1 billion of these savings will now be repurposed for priority areas in the same year.

Announcements with an impact on local government finance

8. The following is not an exhaustive list of announcements affecting local government. For a complete list, please refer to the [on-the-day briefing](#).

9. The Chancellor made no announcements regarding measures to help with funding of health and social care, the future of EU funding, the future of the education services grant or the new homes bonus.
10. 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 that government will provide additional funding to Local Authorities, so that they can meet the additional costs of supported housing in their area.
11. The Government will allocate £2.3 billion into a 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. An additional £1.4 billion of funding for building an additional 40,000 homes will be allocated through the Affordable Homes Programme up to 2020/21.
12. The National Living Wage (NLW) will be increased by 4.2 per cent from £7.20 to £7.50 from April 2017. The Government's target for the NLW is to reach 60 per cent of median earnings.
13. 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 LEPs in the midlands, £151 million to the east of England, £492 million to London and the south east, and £191 million to the south west.
14. 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. The Government will also devolve the adult education budget to London from 2019-20, subject to readiness conditions.
15. Mayoral Combined Authorities will receive 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.
16. New fibre-optic broadband will qualify for 100 per cent business rate relief for a 5 year period from 1 April 2017. The Government will also double rural rate relief to 100 per cent from 1 April 2017. We expect councils to be funded fully for the cost of these measures.
17. 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.

LGA activity prior to and on the day of the Autumn Statement

18. Prior to the Autumn Statement, the LGA published a submission which positioned local government as a willing and essential partner in driving growth and opportunity for all.

We argued that councils' maximum contribution to the Government's vision of a 'society that works for everyone' required action on three broad objectives:

- 18.1. Creating the conditions for change: maintaining momentum on devolution and putting councils on a sustainable footing;
 - 18.2. Delivering opportunities for all: ensuring national and local government work together to develop the infrastructure required to ensure each area of the country can contribute to, and benefit from, economic growth; and
 - 18.3. Supporting everyone to contribute and benefit: supporting other vital council services that allow councils to continue taking care of their communities.
19. Following the publication of our Autumn Statement submission, the LGA was mentioned in 50 separate Autumn Statement media stories on many of our asks including the need for extra social care funding, the ability for councils to build homes and other key areas such as broadband, roads funding, bus services and school improvement. This resulted in around 150 national media hits.
20. On the day of the Autumn Statement, the following media activity also took place:
- 20.1. We issued a statement from Lord Porter criticising the Chancellor's failure to address the social care funding crisis. It also warned of the £5.8 billion funding gap facing local services by 2020 and called on local government to be able to use extra business rates it will keep by the end of the decade to help plug this gap. This was covered by the Times, Guardian, BBC, Sky News and the Mail. Lord Porter responded to the Autumn Statement in interviews on both BBC News and LBC.
 - 20.2. A further statement from Chairman of the Community Wellbeing Board Cllr Izzi Secombe was issued on the crisis facing social care and need for government to treat tackling it as a national priority.
 - 20.3. Lord Porter also responded to new measures to boost affordable housebuilding, reinforcing the need for the Government's forthcoming Housing White Paper to give councils the powers and funding to build new homes.
 - 20.4. Environment, Economy, Housing & Transport (EEHT) Chairman Cllr Martin Tett's response to extra funding for local roads in England was reported by the BBC and Mirror. His statement warned it would take £12 billion to tackle the current roads repair backlog.
 - 20.5. We issued a statement from People and Places Board Chairman Cllr Mark Hawthorne MBE on the Chancellor's pledge to invest £1 billion in improving broadband and 5G connectivity.
 - 20.6. A statement was also issued on the role local government can play in making the Government's Industrial Strategy a success. This includes greater local control over growth funding and money for employment support. The quote, from Cllr Tett,

also called for guarantees around EU funding up to 2020 and the need for a successor scheme of at least equal value when we leave the EU.

21. In Parliament we promoted our Autumn Statement submission through debates, parliamentary questions and responses to committee inquiries. Set out below are highlights, including:

21.1. Our Chairman Lord Porter asking a range of parliamentary questions in the House of Lords to promote our Autumn Statement submission. This included questions about the Government's assessment of the financial pressures facing local authorities and the need for councils to have greater financial autonomy when setting Council Tax, progress with devolution, and the allocation of funding for services such as mental health.

21.2. We provided a series of parliamentary briefings. This included briefings on social care, housing, broadband, education and social mobility and addressing the root causes of poverty. A particular highlight was the work of the LGA being quoted in an Opposition Day debate motion and our analysis being used by MPs during their discussions.

21.3. We submitted evidence to a range of parliamentary committees. This included providing evidence on the sustainability of local authority finances, the challenges facing adult social care, NHS financial sustainability, the Industrial Strategy and post-16 skills provision.

22. The LGA has used our Autumn Statement submission to support our lobbying on key legislation to local government being debated in Parliament. This included:

22.1. Homelessness Reduction Bill: we secured a commitment from Government to fund the new duties under the New Burdens Doctrine. We have also used this Bill as an opportunity to push for a national drive to bring all agencies together to tackle homelessness, a key ask in our submission.

22.2. Bus Services Bill: in the House of Lords Peers agreed two amendments to the Bill that remove the need for the Secretary of State to approve franchising powers and retain council powers to form new municipal bus companies, were passed.

22.3. Digital Economy Bill: we have supported amendments that sought to strengthen the Government's pledge to introduce minimum speeds of broadband for all through the Universal Service Obligation (USO).

22.4. Neighbourhood Planning Bill: to push for the introduction of locally-set planning fees. Our call for adequate resourcing of planning departments was quoted widely by MPs and echoed by the wider housing and planning sector.

23. On the day of the Autumn Statement, officers also produced an on-the-day briefing which had been downloaded 1,300 times less than 18 hours later. The briefings was shared with leaders, portfolio holders, chief executives, directors of finance and directors of communications via an e-bulletin which was read more than 2,000 times.

24. Our activity was well-represented on social media through the live blog (achieving 1,770 views) and Twitter (15 tweets with 37,301 impressions).
25. We got our key Autumn Statement messages out to 18,000 LGA elected members via a news story, feature, and comments from the chairman and group leaders, in first 606, arriving with readers on 1 December.

Next steps

26. Members are asked to discuss the report and the content of the [on-the-day briefing](#).
27. The new Chancellor's approach to major fiscal events means that individual Government departments will have a stronger role in making policy announcements which would have normally been reserved to Budgets and Autumn Statements.
28. In light of this, it is possible that the local government finance settlement will contain more policy announcements relevant to local government. At the time of writing, the date of the publication of the draft 2017/18 local government finance settlement was unclear. However, officers will provide an update at the meeting of the Board if it has been published or the date is known.
29. Officers will update members on progress regarding the announcements made in the Autumn Statement as and when required through normal LGA business.
30. The LGA will also continue to lobby on policy positions set out in the Autumn Statement submission.

Implications for Wales

31. The Autumn Statement has implications for the public sector across the United Kingdom. However, the on-the-day briefing has focussed on issues that have an impact on English local government.
32. 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.

Financial Implications

33. This is core work for the LGA and is budgeted for within the 2016/17 LGA budget.