

2017 Spring Budget

Purpose

For discussion and direction.

Summary

This report highlights the announcements in the 2017 Spring Budget with implications for local government. It also provides an update on the LGA's work following the Budget.

Recommendation

That the LGA Leadership Board note the report, comment on its contents, and agree any further action.

Action

LGA Officers to proceed as directed.

Contact officer: Sarah Pickup
Position: Deputy Chief Executive
Phone no: 020 7664 3109
Email: sarah.pickup@local.gov.uk

Spring Budget 2017

Background

1. At its January meeting, the Leadership Board provided helpful feedback on the LGA's draft submission to the Spring Budget. This informed the LGA's [final submission](#), which focused on three key areas:
 - 1.1. The urgent need for additional and genuinely new funding for adult social care.
 - 1.2. The crisis in housing – just as serious as the crisis in adult social care – and the need for action to tackle mounting pressure on temporary accommodation budgets, homelessness, and housebuilding.
 - 1.3. The need for the Brexit process to be used as an opportunity to accelerate growth, secure greater fiscal autonomy for councils, and pave the way for a replacement EU regional aid scheme that dovetails with business rates reform and the national industrial strategy.
2. The Chancellor's [Budget](#) was published on 8 March 2017. From now on, the annual Budget statement will take place every autumn, replacing the Autumn Statement. A Spring Statement will replace the existing Budget in March each year, in which the Chancellor will respond to economic forecasts made by the Office of Budget Responsibility. This Spring Statement is not intended to be a major 'fiscal event'.

Main announcements for local government

3. The Budget made a number of announcements relevant to local government, the most significant of which included:
 - 3.1. £2 billion of new funding for adult social care over the next three years to “fund care packages for more people, support social care providers, and relieve pressure on the NHS locally” (see section below).
 - 3.2. A new Green Paper for adult social care “to put the system on a more secure and sustainable long term footing” (see section below).
 - 3.3. A package of support, worth in total £435 million for businesses in England facing significant increases in business rates bills from April 2017, as a result of the revaluation:
 - 3.3.1. Support for small businesses whose eligibility for Small Business Rate Relief has reduced or ended as a result of the revaluation.
 - 3.3.2. Funding for local authorities to support £300 million of discretionary business rates relief between 2017/18 and 2020/21.
 - 3.3.3. A £1,000 business rate discount for pubs with a rateable value up to £100,000, subject to State Aid limits.

- 3.4. The Government will fully compensate local government for the loss of income as a result of these measures.
- 3.5. Investment of £320 million to fund up to 140 free schools, and £216 million to improve the condition of the school estate.
- 3.6. A new 5G Strategy, including testbeds and trials in both rural as well as urban areas. Starting in 2017, the Government will also invest £200 million to fund a programme of local projects to test ways to accelerate market delivery of new full-fibre broadband networks.
- 3.7. A £690 million fund for new local transport projects, to improve congestion on roads and public transport. Councils will be invited to competitively bid for the money with £490 million made available by early autumn 2017.

Activity on the day

4. The LGA published an [on-the-day briefing](#), highlighting all key announcements relevant to local government. This was circulated to member authorities as well as MPs and Peers, including our Vice Presidents, and selected stakeholders.
5. The LGA also published a series of press releases covering the following announcements:
 - 5.1. An additional £2 billion for adult social care spread out over the next three years.
 - 5.2. £300 million to provide discretionary business rates relief.
 - 5.3. Funding for school maintenance and new school places.
 - 5.4. 5G technology and broadband projects.
 - 5.5. Competitive allocation of £690 million to tackle urban congestion.
6. LGA officers are following up with departmental officials on the detail of the announcements and providing further briefings and responses as required.

Adult social care funding: further detail and subsequent activity

7. The LGA has been leading national efforts to highlight the financial and operational pressures facing adult social care services. Ahead of the Budget we warned that by the end of the decade the service would face a funding gap of at least £1.3 billion, on top of pre-existing pressures in the provider market worth at least another £1.3 billion.
8. The additional £2 billion for adult social care is new money that is front-loaded to supplement the funding from the improved Better Care Fund (iBCF). The additional funding will be worth £1.010 billion in 2017/18, £674 million in 2018/19 and £337 million in 2019/20.
9. We have welcomed the funding as a significant step towards protecting the services caring for older and disabled people in our communities over the next few years. However, we have also been clear that short-term pressures remain and the challenge of

finding a long-term solution to the social care crisis is far from over. We have argued that, to close the funding gap facing social care, additional funding needs to be recurrent and put into local government baselines.

10. The reducing profile of the additional funding, and inflation forecasts revised sharply upward by the OBR in the short term, mean that the overall funding gap facing local services in 2019/20 remains at £5.8 billion. The shortfall specific to adult social care reduces from £2.6 billion to £2.3 billion in the same year. However, it is worth noting that this is primarily due to the final instalment of the £2 billion funding announced in the budget amounting to £337m in 2019/20 and this will be phased out completely in 2020/21.
11. At the time of writing, the final DCLG conditions for the funding are still being finalised. As councils will need to pool the funding into their local BCF, the revised BCF framework and planning guidance will also refer to the money. LGA officers have been closely involved in discussions with government departments and NHS England to ensure councils have maximum flexibility in how the money is used. We have been arguing for:
 - 11.1. Recognition that the £2 billion, whilst a significant step towards protecting services for older and disabled people, cannot deal with all short-term pressures.
 - 11.2. Acknowledgement that 'additional activity' can be defined as much by spending the money on things that would otherwise not have been possible (i.e. lower than planned reductions, higher than planned provider fees) as it can by 'new activity'.
 - 11.3. Flexibility to allow councils to get on and spend their additional resources as quickly as possible, in line with the Government's expectation that councils will "take immediate action".
12. In the interests of providing councils with as much clarity as possible on the additional money, the LGA has produced an FAQ on the £2 billion, which has been circulated to all lead members of adult social care. This includes the positions the LGA has taken in discussions with Whitehall and NHS England. Separately, LGA and ADASS have written to council chief executives and directors sharing similar updates and positions.
13. The Government also announced in the Budget that it will set out proposals in a Green Paper to put the adult social care system 'on a more secure and sustainable long term footing'. The LGA is already in early discussions with officials about the expected content of the Green Paper. The Budget Book stated that the Government 'is committed to establishing a fair and more sustainable basis for adult social care, in the face of the future demographic challenges set out in the OBR's Fiscal Sustainability Report'.

Recommendations

14. Members of the LGA Leadership Board are asked to note this report, comment on its contents and agree any further action.

Financial Implications

15. This is part of the LGA's core programme of work and as such has been budgeted for.

Implications for Wales

16. The Budget has implications for the public sector across the United Kingdom. However, the on-the-day briefing focussed on issues that have an impact on English local government. Funding announced in the Budget for England will have Barnett Formula consequences for Wales. Business rates revaluation does apply in Wales as well as England, but it will not affect council funding in the same way. Business rates policy in Wales is the responsibility of the Welsh Government.