

The Autumn Statement 2014

Purpose of report

For information.

Summary

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

Recommendation

That the LGA Executive note the update.

Actions

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

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The Autumn Statement 2014

Background

1. The Chancellor of the Exchequer delivered his 2014 Autumn Statement on December 3rd. The LGA provided member authorities with an on-the-day briefing on the key announcements relevant to local government and has been following up with departmental officials on the detail.
2. The on the day briefing is appended for information and contains most of the proposals affecting councils.

Implications for Local Government Finance

3. The Chancellor did not announce any further cuts in local government funding for 2015/16 in addition to those already announced as part of the Spending Round 2013 and the 2015/16 illustrative settlement. This is welcome.
4. However, councils have already borne a greater share of austerity measures than the rest of the public sector as a whole. The forecast for public spending to 2019/20 remains tough. Overall the Office of Budgetary Responsibility forecasts that public spending in 2019/20 will drop to 35.2% of GDP, the lowest proportion for 80 years. This translates into an “ongoing squeeze in spending by local authorities” (presentation by Robert Chote, 3 December) through to 2019/20. So far it is not possible to say what level of cut in funding local government will receive from 2016/17 onwards but it would not be unreasonable to assume that this will be at least in line with previous reductions.
5. In contrast, an additional £2 billion of funding was announced for the NHS from April 2015. However, adult social care is facing extreme pressures with a projected funding gap of £1.6 billion in 2015/16, rising to £4.3 billion by 2019/20. As a percentage of the net budget (29.4 per cent) the adult social care funding gap is greater than the projected gap for health of £30 billion by the end of the decade (28 per cent). We have called on the government to put social care on a sustainable financial footing as failure to do so will reduce the capacity of the sector to support a sustainable NHS.
6. The Chancellor announced proposals for measures of fiscal devolution to Scotland (Smith Commission), Northern Ireland (corporation tax) and Wales (Business rates). No measures were announced covering English councils as a whole. The LGA continues to argue that the economic benefits of devolving powers to local areas are simply too big to ignore. Across a wide range of issues, there is compelling evidence that taking decisions closer to the people affected achieves better results and saves money.

LGA Successes

7. In line with LGA lobbying the following announcements can be counted as wins for the LGA.
 - 7.1. The Chancellor announced an extension to a number of business rates reliefs for small businesses; the LGA is seeking confirmation that this will be funded under the New Burdens Doctrine so the costs will not fall on councils.

- 7.2. A widening of the scope of the review of Business rates. This is in line with the LGA's response to the consultation on the admin review of business rates. The LGA has been urging the government to overhaul business rates. The Chancellor reported that the review is to report in time for the 2016 budget.
- 7.3. A further extension of the cap on business rates income was also announced. While this makes local government income less buoyant, we understand that local government will be fully compensated for the loss of income.
- 7.4. The rules for business rates appeals based on the 2010 revaluation will be changed to time limit them. While this is positive, the LGA had also been lobbying for any costs of appeals from before March 2013 to be met from the old national business rates pool.
- 7.5. The imminent publication of a discussion paper on the nature and scale of business rates avoidance was announced. The LGA has been collaborating with the Treasury in this area.
- 7.6. A commitment was made in the statement to give local authorities and NHS clinical commissioning groups indicative multi-year budgets as soon as possible after the next spending review. The LGA has been calling for five year settlements for some time and this decision will give local councils and their partners more certainty to better plan their service delivery.
- 7.7. Simplifications to the licensing system, with a proposal to introduce a single on line application process. This is a move in the right direction, and was one of many proposals for licensing reform included in the LGA's Rewiring Licensing which was published earlier this year
- 7.8. The Chancellor announced that the Government will look to develop and extend the principles of the Troubled Families programme. This is an important step towards the LGA's vision for devolved place-based budgets.
- 7.9. The Autumn Statement included an extension of the Affordable Housing capital investment programme to 2020.
- 7.10. Although a six year programme of investment in Flood defence funding was announced, the LGA had been calling for additional local flexibility on this. However, the announcement of tax breaks to encourage for private sector investment in flood defence follows calls from the LGA to introduce incentives for investment in flood defences.
- 7.11. The Chancellor confirmed proposals for the reform and speed up compulsory purchase orders will be brought forward. This is in line with what the LGA has been calling for as the process is currently resource intensive and complex.

Other Announcements

8. The Chancellor's statement followed on from the announcement of the national infrastructure plan the day before, and this included several announcements about details of capital projects, including many in the areas of housing, planning, transport, flooding, and broadband. Further details can be found in the briefing note attached at **Appendix A**.

Most of the funding announced was for national projects, for example, the £15 billion for road projects is for trunk roads, not for local roads managed by local councils.

9. Finally, the government will exempt from Income Tax and employee NICs expenses for mileage paid to councillors at the Approved Mileage Allowance Payment (AMAP) rates. This change will take effect from 6 April 2015.

Next steps

10. Members are asked to note the report and the content of the briefing attached at Appendix A.

Financial Implications

11. This is core work for the LGA and is budgeted for within the 2014-15 LGA budget.