

Local Government Association

Budget 2015: On the Day Briefing

18 March 2015

The Budget 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 fiscal measures.



The full set of documents is available on the [Treasury website](#).

Key Messages

- Between the Government's first Budget in 2010 and the end of the next financial year local authorities will have seen core funding from central government reduced by 40 per cent. It is now more important than ever for the next government to look at the way public services are funded and delivered in order to guarantee sustainability.
- The announcements on greater powers for Greater Manchester and West Yorkshire are a welcome initial step. Devolution of powers and funding is an important step in aligning decision-making with the people affected by decisions. The process must now be extended and accelerated across the country.
- The announcement of a review of the future structure of business rates, which the LGA has been calling for, is vital. It provides an ideal opportunity for central government to create a more effective local tax, where rates and discounts are set locally so that councils have increased freedoms to support small firms and encourage further local economic growth.
- It is disappointing that the Chancellor has not addressed adult social care funding, which is an important area that requires immediate attention. This will be a priority for whoever takes power post May 2015, and funding for adult social care should be given the same protection as NHS funding. Investing money in the NHS while forcing councils to cut their social care budgets merely moves the problem to the NHS.
- The announcement of the National Housing Institute and further measures to support first time buyers to purchase new homes are an important step in tackling the overall shortage in housing supply. Councils must now be given a lead role in future work on delivering homes, including giving them extra powers and flexibility.

This briefing covers:

- Public and local government finance
- Business rates
- Pensions
- Service integration
- Devolution
- Children and young people's mental health
- Apprenticeships
- Further education
- Planning
- Housing

Briefing

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- WiFi in libraries
- Broadband
- Trade
- Counter terrorism and security
- Flooding
- E-crime
- Creative sector and the media
- Digital ambition
- Landfill tax
- Workforce
- Public Works Loans Board

Public and local government finance

The Chancellor announced that:

- The Government's fiscal assumption is that Total Managed Expenditure (TME) will fall in real terms in 2016-17 and 2017-18 at the same rate as over the period 2010-11 to 2014-15. TME will stay flat in real terms in 2018-19, and in 2019-20 increase in line with nominal GDP.
(Page 26-27, paragraphs 1.70-1.72)

LGA view:

- At a time when local authorities are contending with significant reductions, this year's Budget confirms there will be reductions in 2015-16, which will continue to put pressure on council budgets.
- We note the Government's plans for further reductions in 2016-17 and 2017-18. Local government has taken more than its share of the reductions in this Parliament, and vital local government services should be protected from further reductions in the next.

Business rates

The Chancellor confirmed that:

- Two designated pilot areas, Cambridgeshire and Peterborough and Greater Manchester Combined Authority, will be able to retain 100 per cent of growth in business rates collected above existing forecasts from April 2015. The agreement in Greater Manchester and Cheshire East is subject to formal approval by the Greater Manchester Combined Authority
(Page 72, paragraph 2.28)
- A review of the future structure of business rates is underway, and is planned to report by the 2016 Budget. The Terms of Reference of the review were published on 16 March.
(Page 88, paragraph 2.181)

LGA view:

- We welcome the confirmation of the pilots for further business rate retention in Cambridgeshire and Peterborough, and in Greater Manchester and Cheshire East. All parts of the country should benefit from increased business rate retention, not just two areas. Local government should be able to retain all of business rates as soon as possible, with adjustments to the top-up and tariff mechanism to ensure that areas with less buoyant tax bases and high relative

needs do not lose out.

- We welcome the proposed review of the future structure of business rates, and the Government's willingness to consider councils setting their own business rates and changes to the system of reliefs and exemptions, including that for charities and farms.
- This review should be used as an opportunity to create a system which is fit for the 21st century and give local areas the freedom and finance to invest in the infrastructure and services which businesses rely upon. Local government could do much more to support small firms, high streets and start-ups if rates and discounts were set locally, rather than by the Treasury. This is something that both businesses and councils support.
- Central government must now work with local government to make business rates a truly local tax where the money which a business pays is retained by local government to invest in vital local services. All of this helps local businesses either directly or indirectly. This should form part of a fair funding settlement for local services which ensures that those parts of the country where business is less buoyant do not lose out.

Pensions

The Chancellor announced:

- From April 2016 the Government will change the tax rules to allow people who are already receiving income from an annuity to sell that income to a third party, subject to agreement from their annuity provider. The proceeds of the sale could then be taken directly or drawn down over a number of years.
(Page 59, para 1.230)

LGA view:

- These changes may have implications for care costs for councils, and the LGA will be writing to the Chancellor, Chief Secretary to the Treasury and the Secretary of State for Health to clarify this.

Service integration

The Chancellor announced:

- Building on the Government's programme of reform, including the Troubled Families programme and Better Care Fund, "the Government is exploring the cost-effectiveness of options to integrate spending around some of the most vulnerable groups of people", including health and social care, health and employment support, housing, support to individuals struggling with homelessness, addiction and mental health problems.
(Page 29-30, paragraph 1.87)

LGA view:

- The expansion of the council-led Troubled Families approach to new groups of people is an important step towards the LGA's vision for devolved place-based budgets. Any expansion must recognise the existing work of, and build on the learning from, councils and their partners.
- Integration is vital in providing joined up support to people, and must be driven locally by accountable health and wellbeing boards. However this alone will not be enough to plug the estimated £12.3 billion funding gap (£4.3 billion for social care, £8 billion for health) by the end of the decade. We now need adequate and protected adult social care funding and an additional Transformation Fund to support local health systems.
- The LGA welcomes recent developments in Greater Manchester. There are lessons from this that supports the commitment to the principle of subsidiarity in the Greater Manchester Memorandum of Understanding (decisions will be made at the most locally appropriate level).
- Recognition of the added value of local integrated interventions to address the needs of unemployed people with disabilities and health problems is welcome. This will only be achievable if Whitehall departments enable funding to be levered in and integrated locally.
- The current programme of welfare reforms both depend on, and offer, an opportunity for support for low-income households (housing, health and employment) to be more effectively integrated locally.

Devolution

The Chancellor announced:

- A new devolution deal with the West Yorkshire Combined Authority, giving West Yorkshire new powers over skills, business support and transport.
(Page 46, paragraph 1.158)
- Further powers over planning and skills will also be devolved to the Mayor of London. This will allow the Mayor to accelerate the provision of new homes by reducing planning delays, and to tailor decisions over skills provision to London's needs.
(Page 47, paragraph 1.173)
- The Government is opening negotiations with local partners and the Scottish and Welsh Governments for City Deals for Cardiff, Aberdeen and Inverness. In Inverness, the Government is making funding available in 2015-16 to help progress the deal.
(Page 42, paragraph 1.143)

LGA View:

- The deals and agreement to devolve powers and funding to city regions across the UK will assist local civic and business leaders in promoting economic growth. This is a welcome step, however the announcement still falls short of local ambitions.

- It is disappointing that the Government has missed this opportunity to devolve more powers to places outside our cities, as per the recommendations made in the recent report by the Independent Commission on Local Government Finance.
- Future approaches to devolution must go further in setting out a new settlement for the whole of England. This should include localising powers about infrastructure and skills, and health and social care to ensure the long term viability of local services.

Children and young people's mental health

The Chancellor has announced that:

- The Government will invest over £1 billion over the next 5 years to start new access standards which will see over 110,000 more children cared for over the next Parliament.
(Page 59, paragraph 1.234)
- The Government will be providing £118 million by 2018-19 to complete the roll-out of the Children and Young People's Increasing Access to Psychological Therapies (CYP IAPT) programme ensuring that there are talking therapists in every part of the country.
(Page 59, paragraph 1.234)
- £75 million over the next 5 years is being invested to give the right care to more women who experience mental ill health during the perinatal or antenatal period.
(Page 60, paragraph 1.235)
- The Department for Education will also provide an additional £1.5 million towards piloting joint training for designated leads in Child and Adolescent Mental Health Services (CAMHS) and schools to improve access to mental health services for children and young people, including the most vulnerable.
(Page 60, paragraph 1.235)

LGA view:

- The announcement of additional funding for mental health of children and young people is welcome. The LGA has argued for improvements to the system and extra resourcing.
- It is now vital that a new government builds on this investment, and the recent recommendations of the Children and Young People's Mental Health Taskforce, to ensure children and young people receive support when they need it from a joined up system.

Apprenticeships

The Chancellor announced that:

- An Apprenticeship Voucher will put employers in control of government funding for the training apprentices need.
(Page 49, paragraph 1.180)

- The Mayor of London and Greater London Authority will have power over the Apprenticeship Grant for Employers (AGE) budget.
(Page 75, paragraph 2.51)
- The national minimum wage for apprentices will rise from £2.73 an hour to £3.30 in October 2015
(Page 56, paragraph 1.214)

LGA view

- The proposal for an Apprenticeship Voucher is an important step to increasing employer leadership in the apprenticeship system. We now await further details on how the Government can enable councils, colleges, training providers and schools to work together with employers. This will be essential in order to create new opportunities for young people not already in work.
- It is a welcome start that AGE has been devolved to certain areas and this should now go further. All councils should have AGE funding devolved to them, which would enable local authorities to use subsidies to work with local employers to create apprenticeship opportunities for young people.
- The increase in the apprenticeship minimum wage is a welcome boost, as almost a quarter of 16 to 18 year olds were paid below the legal minimum in wage in 2014. Councils must also be given the freedom to work with local employers to create high quality opportunities for young people.

Further education

The Chancellor announced:

- The Mayor of London and Greater London Authority will have a role in the re-commissioning of Further Education skills provision in the capital.
(Page 75, Paragraph 2.51)

LGA view

- The proposal to enable spending on further education to be shaped locally is a positive announcement, and should now be extended more widely to all local areas as per the intention in the Apprenticeship, Skills, Children and Learning Act. This would then join up with the statutory duties councils have to support the raising of the participation age.

Planning

The Chancellor announced:

- A consultation into the compulsory purchase regime to make it clearer, faster and fairer for all parties has been launched.
(Page 42, paragraph 1.142)
- The Government is designating the first 20 housing zones outside London, and continuing to work with the other 8 shortlisted areas.

(Page 75, paragraph 2.54)

- The Government will consult on devolving planning powers over sightlines and wharves to the Mayor of London, allowing the Mayor to accelerate provision of new homes by reducing planning delays.

(Page 74, paragraph 2.50)

LGA view:

- We are pleased that the Government has recognised the LGA's calls for the reform of the compulsory purchase order process as it is a resource intensive and complex. Reforms should ensure that it is easier for councils to use and to capture more of the costs of delivering infrastructure.
- Councils want to make sure brownfield land that is suitable for housing is developed wherever possible. Many sites have planning permission, but are not brought forward because the costs of developing them can be high and therefore the sites are not viable. Housing zones will offer funding to some areas in tackling these barriers. We need further investment in infrastructure and affordable housing to tackle the shortage of housing across the country.
- Councils in London must be fully engaged in the process of devolving housing and planning powers to the Mayor of London. The planning process must continue to focus on communities and local decision making if London is to develop the homes it needs.

Housing

The Chancellor announced that:

- The scheme will work by providing a government bonus to each person who has saved into a Help to Buy ISA.
(Page 58, para 1.228)
- The Government has already sold enough surplus public sector land to build over 100,000 new homes. The Government is committed to releasing land with capacity for up to 150,000 homes between 2015 and 2020. The Government will look to set departmental contributions by the Spending Round.
(Page 75, para 2.59)
- The Government will work with Keith House and Natalie Elphicke to implement a Housing Finance Institute, as recommended by their review, of the role of local authorities in housing supply, in conjunction with the Local Government Association and businesses.
(Page 75, para 2.60)

LGA view:

- The LGA has called for greater powers for councils to pool and develop surplus public land in order to enable public land to be used more effectively for housing. It is therefore positive that the Government will be working with the LGA, business and the housing sector to implement a Housing Finance Institute, as recommended by Keith House and Natalie Elphicke.

- We welcome further measures to support First Time Buyers to access new homes. We must also tackle the overall shortage in housing supply in order to make home ownership a reality, and to increase investment in affordable housing. Councils must have a lead role in building if we are able to deliver the homes and infrastructure needed. This includes giving councils greater flexibility over investment in housing, and greater powers for councils to pool and develop surplus public land.
- Local authorities should have a key role in building on surplus public land. Councils are already planning to dispose of £13.3 billion worth of land and property between 2015-18 (central government's target is more modest at £5 billion between 2015-2020). In order to support this, the Housing Revenue Account borrowing cap should be lifted so that councils can build new homes.
- Councils have the ambition and appetite to build more affordable homes and are finding innovative ways to use land and finance building schemes. The LGA is already working to support councils and we look forward to working with partners on developing the proposals in further detail.

WiFi in libraries

The Chancellor announced that:

- The government will provide £7.4 million funding to support libraries in England to provide internet access and WiFi.
(Page 100, paragraph 2.290)

LGA View:

- This funding is a welcome boost to the role of public libraries as a community hub where residents and businesses can get online at either no or low cost. This will significantly boost measures to connect people, enable them to learn new skills and access online public services, and support small businesses.
- A number of councils have already invested in Wi-Fi for their public libraries, so this will enable joint working, and we hope that these initiatives will be supported to develop their digital ambitions even further.

Tobacco levy

The Chancellor announced:

- The Government will continue the consultation on a tobacco levy through informal consultation with stakeholders.
(Page 62, paragraph 1.254)

LGA view:

- The LGA welcomes the announcement that the Government will continue to consult with stakeholders on the introduction of a levy on tobacco manufacturers and importers.

- We support a levy and any money raised should be spent on areas of greatest need to introduce measures that prevent youth uptake, tackle smoking in pregnancy, encourage long-term smokers to quit, tackle counterfeit and illicit tobacco and help councils clean up the streets of cigarette litter.
- A levy would also send a clear message to increase necessary activity across trading standards, environmental health and smoking cessation.

Broadband

The Chancellor announced that:

- A new ambition that ultrafast broadband of at least 100 Megabits per second (Mbps) should be available to nearly all UK premises.
- The Government will also take further action to support the delivery of broadband in rural areas.
- The broadband connection voucher scheme, extended at Autumn Statement 2014 to March 2016, will be available in a total of 50 cities by 1 April 2015.
- Up to £600 million to support the delivery of the change of use of 700MHz spectrum, which will further enhance the UK's mobile broadband connectivity.
(Pages 39 and 40, paragraphs 1.122, 1.123, 1.124 and 1.125)

LGA View:

- The Government has recognised that far too many people and businesses in rural communities, and even some urban areas, are getting left behind in the broadband rollout. Access to fast and reliable broadband is as important a strategic consideration as electricity, planning, housing and transport for living and doing business in the twenty-first century.
- The next phase of the rollout for cities and rural areas must be taken forward quickly, and should promote value for money through competition to ensure that full coverage is achieved.

Creative sector and the media

The Chancellor announced that:

- The Government will implement a range of measures to support the creative sector and the media, including an increase of the rate of film tax relief to 25 per cent for all qualifying expenditure, and extend the high-end television tax relief and a new children's television tax relief from April 2015.
(Page 38, paragraph 1.112)

LGA View:

- The creative industry is one of this country's fastest growing economic sectors. Councils play a key role supporting the creative industries to thrive and welcome measures that will help to further boost local growth through this booming sector.

Digital ambition

The Chancellor announced that:

- The digital ambition will extend beyond central government and arms-length bodies, to consider local services. HM Treasury, the Department for Communities and Local Government and the Government Digital Service will collaborate with partners in local government, as the sector develops a set of proposals that will enable more customer-focussed, digitally-enabled and efficient local services in time to inform future budget allocations.
(Page 27, paragraph 1.76)

LGA view:

- Councils are the frontline of public services and help residents navigate and access a range of vital public services. Any commitment to greater digital collaboration to enable the public sector to join up more effectively around residents will help our communities. Councils are best placed to work with residents in shaping and designing digital solutions appropriate to local circumstances, so it is absolutely vital that we all work together and share our expertise and understanding of our customers. The LGA has long been supporting local government to deliver digital services and, with a wealth of knowledge and experience, central government needs to work with us on this project.
- Local government understand and work closely with their residents and use digital technologies to find local solutions to different needs, from reporting potholes to looking after the elderly. To do this effectively, central government partners must be willing to share data with councils. This is increasingly important as we work to integrate health and social care and support communities to deal with changes to welfare reform. We need to work across the public sector to implement and share technology so we can support our residents and businesses more effectively and efficiently.

Trade

The Chancellor announced:

- Funding for an ambitious series of trade missions focused on regional strengths, and to ensure that the UK makes the most of the International Festival for Business in Liverpool.
(Page 51, paragraph 1.197)

LGA View

- The LGA has been calling for the Government to recognise the role that city regions across England can play in boosting the UK's trade and inward investment performance. We now welcome this measure as a step in the right direction.

Counter terrorism and security

The Chancellor announced that:

- The Government will provide funding of £23.9 million in 2015-16 for measures to counter-terrorism and improve protective security, including at the border.
(page 76, para 2.64)

LGA view:

- Councils have a vital role to play in tackling terrorism and extremism. The LGA welcomes the announcement of funding in the Budget for counter-terrorism work.
- The LGA will be working with councils and the Home Office to ensure that the resources available to carry out the two new duties in the Counter-Terrorism and Security Act 2015 reflect the cost to councils.

Flooding

The Chancellor announced:

- 165 flood schemes will be delivered earlier than originally planned and a further 47 new schemes will be included within the £2.3 billion 6-year flood and coastal erosion programme.
(Page 96, para 2.248)

LGA view:

- The confirmation of existing schemes in the programme being brought forward, and the inclusion of new schemes, is good news for areas that have been affected. The Government should devolve the funding available for capital works to a single pot at local level in order to allow flexibility over capital and revenue funding.

Landfill Tax

The Chancellor announced:

- The standard and lower rates of Landfill Tax will increase in line with the Retail Price Index, rounded to the nearest 5 pence, from April 2016.
- The saving from the Landfill Communities Fund will be used to fund a one-off £4.2m increase in Environment Agency funding to address waste crime.
(Page 88, paras 2.172 - 2.174)

LGA view:

- This measure effectively implements in real terms the LGA's call for the Landfill Tax to be frozen. We are also calling for the receipts to be redistributed to councils so that they may use this money to invest in recycling

infrastructure.

- Any underspend from the Landfill Communities Fund should be given to councils that can ensure that it is spent on appropriate local projects to mitigate the impact of landfill sites. In the longer term it would be appropriate for councils to manage this funding in a way that achieves value for money, is accountable to and in the best interests of local communities.

Workforce

The Chancellor announced:

- The Government will consult on detailed proposals to restrict tax relief for travel and subsistence for workers engaged through an employment intermediary, such as an umbrella company or a personal service company, and under the supervision, direction and control of the end user. This follows a discussion paper published shortly after the 2014 Autumn Statement on employment intermediaries, and travel and subsistence relief. The changes will take effect from 6 April 2016 and will be legislated for in a future Finance Bill.
(Page 78, para 2.79)
- Legislation will be introduced to exempt from Income Tax travel expenses paid to councillors by their local authority. The exemption will be limited to the Approved Mileage Allowance Payment (AMAP) rates where it applies to mileage payments. There will be a corresponding disregard from Class 1 National Insurance contributions. These changes will have effect from 6 April 2015.
(Page 77, para 2.72)

LGA view:

- The LGA has supported the view that the use of personal service company and similar arrangements to pay individuals that are in effect employees should be restricted to circumstances where interim arrangements are needed. We advised local authorities of this view in March 2012.
- The LGA has recommended that allowances paid to staff for travel should be based on the approved mileage rate. Around 40 per cent of councils now do this for all claims, while many others use it for some claims. It seems fair and consistent to apply similar approaches for councillors' travel expenses.
- There is an outstanding issue in relation to expenses for individuals from combined authorities and fire authorities.

Public Works Loans Board

In the "Debt and reserves management report 2015 to 2016", published alongside the Budget report, the government announced that:

- It took an enabling power in the Infrastructure Act 2015 to abolish the PWLB via the Public Bodies Act 2011, and the Government intends to consult on succession arrangements later in the year.

LGA view:

- As the Report mentions, this will have no impact on councils' access to borrowing from central government. However we continue to believe that the newly established Municipal Bonds Agency will offer councils a cheaper alternative.

E-crime

The Chancellor announced:

- An additional £0.25 million funding for National Trading Standards' e-crime unit to tackle rogue online traders and fraudsters.
(page 99, para 2.275)

LGA view:

- The LGA welcomes this additional funding to tackle a crime that can target vulnerable people and ruin lives. National Trading Standards provides a model whereby council led teams can tackle cross border cases of serious consumer harm: this funding will help support the NTS e crime team hosted by York and North Yorkshire Councils to tackle e-crime investigations on behalf of all councils. <http://www.tradingstandardscrime.org.uk/>

Further Information:

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