

## **March 2016 Budget**

### **Purpose of report**

For information.

### **Summary**

This report highlights the key announcements in the 2016 Budget with implications for local government.

### **Recommendation**

That the LGA Leadership Board note the content of the report.

### **Action**

LGA Officers to proceed as directed.

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### **Background**

1. The Chancellor of the Exchequer delivered the 2016 Budget on 16 March. The LGA provided councils, MPs, 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.

### **The key messages**

2. The on-the-day briefing – which can be downloaded from [here](#) - sets out all the relevant announcements and provides the LGA view. The key points are summarised below:

#### Public spending

3. The Budget included overall spending limits for the lifetime of the Parliament. Most notably, the Chancellor:
  - 3.1. Brought forward capital spending from 2019/20 to earlier years and postponed measures which result in a one-off spike in tax receipts to 2019/20.
  - 3.2. Announced a public sector efficiency review which is due to report in 2018 with a view to securing additional savings of £3.5 billion in 2019/20. It is unclear how exactly this will affect local government.
  - 3.3. Increased borrowing estimates for 2015/16, 2016/17, 2017/18 and 2018/19.
4. The Chancellor breached the welfare cap and the supplementary fiscal target of reducing borrowing in each year of the Parliament. However, as a result of the measures above he is on track to meet the fiscal mandate of delivering a surplus in 2019/20, currently forecast at £10.4 billion.
5. There are currently no plans of further reductions to council funding in 2016/17.

#### Business rates

6. The Government will pilot the approach to 100 per cent business rates retention in Greater Manchester and Liverpool City Region and will increase the share of business rates retained in London.

7. The Government will increase the share of London's business rates retained by the Greater London Authority by transferring responsibility for funding capital projects of Transport for London. This will give the Mayor of London control over almost £1 billion more of locally raised taxes. The government will also explore with London options for moving to 100 per cent business rate retention ahead of the full roll-out of the business rates reforms.
8. Small business rate relief will be permanently doubled to 100 per cent from April 2017. Eligibility thresholds for relief and the small business rate multiplier will also be extended. Overall, the business rates multiplier will rise by CPI inflation instead of RPI inflation from 2020 as well; this is likely to have a negative impact on future income as CPI tends to be lower than RPI. This is expected to reduce business rate income in comparison to previous forecasts by £1.9 billion in 2020/21.
9. Before the move to full retention, councils will be compensated for lost revenue through a section 31 grant, similarly to prior years. The impact on full retention will be discussed as part of the wider work programme on this reform.
10. The Government will consider introducing more regular revaluations and standardise business rates bills as the first stage of linking local authority business rates systems with HMRC digital tax accounts. Businesses will have the option to pay bills online by 2017.

#### Other policy announcements

11. The Government has now agreed new mayoral devolution deals with English counties and southern cities, reaching agreements with the West of England, East Anglia and Greater Lincolnshire. The Government has also agreed a further devolution deal with Greater Manchester, including a commitment to work towards the devolution of criminal justice powers, and a second devolution deal with Liverpool City Region.
12. The Government will expect all schools to become academies by 2020, or to have an academy order in place to convert by 2022. In addition, a new National Funding Formula for schools will be introduced from 2017/18, with additional funding of £500 million allocated to aid the pace of change so that by 2020, 90 per cent of schools which gain additional funding from the new formula receive the full amount they are due.
13. The Government will introduce a new soft drinks industry levy. Revenue from the soft drinks levy will be used to double the primary school Physical Education (PE) and sport premium from £160 million per year to £320 million per year from September 2017.
14. From April 2017, where the public sector engages an off-payroll worker through their own limited company, that body (or the recruiting agency if the public sector body engages through one) will become responsible for paying the right tax.
15. The Government will invest £100 million to deliver low-cost 'second stage' accommodation for rough sleepers leaving hostel accommodation and domestic abuse victims and their families moving from refuges.

16. Budget 2016 sets out that there is a reduction in the discount rate for unfunded public sector pension schemes which will increase the contributions employers pay to the schemes from 2019/20 onward. This is unlikely to affect the Local Government Pension Scheme as it is a funded scheme with its own rules on determining employer contributions; however, other public sector pension arrangements can create cost pressures in the NHS, police and other public services.

### **LGA activity prior to and on the day of the Budget**

17. Prior to the Budget, the LGA published its Budget submission. Having been published before the final 2016/17 local government finance settlement, it reiterated the concerns of members about the future funding position as well as suggesting a blueprint for work with the Government on the move to full business rate retention.
18. In the final settlement, the Government provided additional transition grant funding. In the Budget, it announced reforms to the business rates administration system that we had called for, including the move to online billing and more frequent revaluations.
19. On 16 March, officers produced an on-the-day briefing. The following media activity also took place:
- 19.1. We issued an initial response to the Budget from the Chairman. It called for local government to be protected from any further cuts during this Parliament, welcomed new devolution deals but expressed disappointment that the Government had not brought forward vital money for social care to 2016/17. Lord Porter's response was reported by the Independent and the Guardian.
  - 19.2. A statement was issued opposing plans announced in the Budget to force all schools to turn into academies. Our response was widely quoted in the media both before and after the announcement on BBC Online and Mail Online and in the Guardian, Mirror, Financial Times, Independent, New Day and across BBC News, ITV News, Channel 5 and Sky News. Cllr Richard Watts (Children and Young People Board Vice-Chair) appeared live on BBC News, BBC Radio 5 Live and interviewed on the BBC One O'Clock News on the day of the Budget to discuss our reaction. Our concerns about the plans were also put to Education Secretary Nicky Morgan when she appeared on Question Time the day after the Budget.
  - 19.3. Cllr Izzi Seccombe responded to government plans to introduce a soft drinks levy saying it was right for the soft drinks industry to step up and take its share of responsibility for the tackling the child obesity crisis.
  - 19.4. Following new measures to tackle homelessness being announced in the Budget, we warned that government housing reforms risks increasing homelessness and its associated costs.
  - 19.5. Cllr Mark Hawthorne MBE, Chairman of the People and Places Board, criticised moves to relax rules to allow phone masts to be built without the need for planning permission.

- 19.6. Cllr Izzi Seccombe welcomed the announcement in the Budget that the war pension payments made to injured veterans will no longer be taken into account when calculating the amount they must pay towards their care costs but stressed it must be fully funded.
  - 19.7. An extra £700 million for flood defences was earmarked for communities affected by recent flooding. We responded to welcome the new investment but to call for the money to be devolved to local areas to ensure it is spent on the right local projects.
  - 19.8. LGA also provided a live blog which covered the announcements on the day in the build up to the release of the on-the-day briefing.
20. Our activity was well-represented on social media through the live blog (achieving 1,961 views) and Twitter (23 tweets with potential 516,000 impressions). At the time of writing, the briefing had already been downloaded more than 3,540 times and we continue to monitor the reach of our work.

### **Financial Implications**

21. This is core work for the LGA and was budgeted for within the 2015-16 LGA budget.