

Local Government Association

Budget 2018 – summary of announcements

29 October 2018



This afternoon the Chancellor, Rt Hon Philip Hammond MP, delivered the [2018 Budget](#). There were a number of tax and spending announcements of relevance to local government, and the Chancellor outlined the trajectory of overall public spending for the 2019 Spending Review.

In response to the Budget we have issued a [media statement](#), and our Chairman, Lord Porter, gave a number of media interviews to offer local government's initial reaction.

We have analysed the Chancellor's speech, Budget book, and other announcements made today, and picked out the key highlights for local government. These are listed below, and we will be publishing our full comprehensive briefing containing an LGA view tomorrow.

In today's Budget, the Chancellor announced:

Adult social care and support

- an additional £240 million in 2018/19 and £240 million in 2019/20 for adult social care. The Budget provides a further £410 million in 2019/20 for adults and children's social care.
(Page 75, paragraphs 5.15 and 5.16)

Disabled Facilities Grant

- an additional £55 million in 2018/19 for the Disabled Facilities Grant (DFG) to provide home aids and adaptations for disabled children and adults on low incomes.
(Page 75, paragraph 5.17)

Children's social care

- £84 million over 5 years for up to 20 local authorities, to help more children to stay at home safely with their families.
(Page 75, paragraph 5.18)

Housing Revenue Account, Housing Infrastructure Fund, strategic housing deals

- The Housing Revenue Account (HRA) cap that controls local authority borrowing for house building will be abolished from 29 October 2018 in England, enabling councils to increase house building to around 10,000 homes per year. The Welsh Government is taking immediate steps to lift the cap in Wales.
- The Housing Infrastructure Fund, funded by the NPIF, will increase by £500 million to a total £5.5 billion, unlocking up to 650,000 new homes.
(Page 62, paragraph 4.56)
- £10 million capacity funding to support ambitious housing deals with authorities in areas of high housing demand to deliver above their Local Housing Need.

Briefing

(Page 63, paragraph 4.60)

Accelerating housing delivery

- Alongside the Budget, Sir Oliver Letwin has published his independent review of the gap between housing completions and the amount of land allocated or permissioned.
- The Government will respond to the review in full in February 2019.
(Page 62, paragraph 4.57)

Land value uplift

- The Government is simplifying the process for setting a higher zonal Community Infrastructure Levy in areas of high land value uplift, and removing all restrictions on Section 106 pooling towards a single piece of infrastructure.
- The Government will introduce a Strategic Infrastructure Tariff for Combined Authorities and joint planning committees with strategic planning powers.
(Page 63, paragraph 4.59)

Planning

- The Government has launched a consultation on new permitted development rights to allow upwards extensions above commercial premises and residential properties, including blocks of flats, and to allow commercial buildings to be demolished and replaced with homes.
(Page 63, paragraph 4.58)
- The Government will provide £8.5 million of resource support so that up to 500 parishes can allocate or permission land for homes sold at a discount. Neighbourhood plans and orders are approved by local referendums, and the government will update planning guidance to ensure that these cannot be unfairly overruled by local planning authorities... The Government will also explore how it can empower neighbourhood groups to offer these homes first to people with a direct connection to the local area.
(Page 64, paragraph 4.63)

Stamp Duty land Tax, and the Help to Buy Equity Loan

- The Government will extend first-time buyers relief in England and Northern Ireland so that all qualifying shared ownership property purchasers can benefit, whether or not the purchaser elects to pay SDLT on the market value of the property.
(Page 46, paragraph 3.39)
- From April 2021, a new Help to Buy Equity Loan scheme will run for 2 years before closing in March 2023. The new scheme will be available for first-time buyers only, and for houses with a market value up to new regional property price caps... The Government does not intend to introduce a further Help to Buy Equity Loan scheme after March 2023.
(Page 63, paragraph 4.61)

Business Rates

- Bills will be cut by one-third for retailers, retailers including shops, cafes and restaurants in England properties with a rateable value below £51,000, benefiting up to 90% of retail properties, for 2 years from April 2019, subject to state aid limits.
(Page 46, paragraph 3.33 and [policy costing document](#))
- 100 per cent business rates relief for all public lavatories will be introduced from 2020/21.
(Page 46, paragraph 3.35)
- The government will continue the £1,500 business rates discount for office space occupied by local newspapers in 2019/20.
(Page 46, paragraph 3.36)
- Local authorities will be fully compensated for the loss of income as a result of these business rates measures.
(Page 46, paragraph 3.37)
- To ensure that second properties are subject to the appropriate tax, the government will consult on the criteria under which self-catering and holiday lets become chargeable to business rates rather than council tax.
(Page 46, paragraph 3.38)

Support for high streets

The Chancellor announced that:

- The Government will launch a new Future High Streets Fund to invest £675 million in England to support local areas to develop and fund plans to make their high streets and town centres fit for the future. This will invest in town centre infrastructure, including to increase access to high streets and support redevelopment and densification around high streets. It will include £55 million for heritage-based regeneration, restoring historic high streets to boost retail and bring properties back into use as homes, offices and cultural venues.
(Page 67, paragraph 4.76 and [MHCLG website](#))
- The Government will consult on planning measures to support high streets to evolve. As part of this, it will consult on creating a more flexible and responsive 'change of use' regime with new Permitted Development Rights that make it easier to establish new mixed-use business models on the high street. It will also trial a register of empty shops with selected local authorities, and trial a brokerage service to connect community groups to empty shops.
(Page 67, paragraph 4.77)

Preparing for Brexit

- To support [Brexit] preparations, the Government has already allocated £2.2 billion to departments and devolved administrations. At Autumn Budget 2017, the Government set aside a further £1.5 billion to be allocated for preparations taking place in 2019/20. The budget confirms an additional £500 million of funding from the reserve for 2019/20, meaning the government will have invested over £4 billion in preparing for EU exit since 2016. This funding will

help departments manage pressures and contingencies arising from EU exit preparations which fall in the 2019/20 financial year, as well as ensuring that the UK is prepared to seize the opportunities available when we leave the EU. (Page 28, paragraph 1.49)

Mental health

- The NHS will invest up to £250 million a year by 2023/24 into new crisis services, including: 24/7 support through NHS 111; children and young people's crisis teams in every part of the country; comprehensive mental health support in every major A&E by 2023/24; more mental health specialist ambulances; and more community services such as crisis cafes. The NHS will also prioritise services for children and young people, with schools-based mental health support teams and specialist crisis teams for young people across the country.

(Pages 74 and 75, paragraph 5.10)

Prevent and counter extremism

- The Budget provides an additional £160 million in 2019/20 for counter-terrorism policing.

(Page 76, paragraph 5.27)

Public Health

- As also set out in June 2018, the Government will consider proposals from the NHS for a multi-year capital plan to support transformation, and a multi-year funding plan for clinical training places. The Government will also ensure that public health services help people live longer healthier lives. Budgets in these areas will be confirmed at Spending Review 2019.

(Page 74, paragraph 5.9)

Fire and rescue service pensions

- a reduction of the discount rate for calculating employer contributions in unfunded public service pension schemes, to 2.4 per cent plus CPI (in line with established methodology to reflect OBR forecasts for long-term GDP growth). The valuations indicate that there will be additional costs to employers in providing public service pensions over the long-term.

(Page 32, paragraph 1.59)

Universal Credit

- The amount that households with children, and people with disabilities can earn before their Universal Credit award begins to be withdrawn – the Work Allowance – will be increased by £1,000 from April 2019. This means that 2.4 million households will keep an extra £630 of income each year.

(Page 77, paragraph 5.32)

- The Government announced an extensive package of extra support for claimants as they make the transition to Universal Credit.

(Page 77, paragraph 5.33)

National Living Wage

- Following the recommendations of the independent Low Pay Commission (LPC), the Government will increase the NLW by 4.9 per cent from £7.83 to £8.21 from April 2019. The Government will also accept all of the LPC's recommendations for the other NMW rates to apply from April 2019, 14 including:
 - increasing the rate for 21 to 24 year olds by 4.3 per cent from £7.38 to £7.70 per hour
 - increasing the rate for 18 to 20 year olds by 4.2 per cent from £5.90 to £6.15 per hour
 - increasing the rate for 16 to 17 year olds by 3.6 per cent from £4.20 to £4.35 per hour
 - increasing the rate for apprentices by 5.4 per cent from £3.70 to £3.90 per hour

(Page 79, para 5.44)

Serious Violence

- Building on the Serious Violence Strategy, which was published in April 2018, the Budget provides £200 million for a Youth Endowment Fund (YEF) to help young people avoid a life of violence. The YEF will fund activities for 10 to 14 year olds in England and Wales over at least 10 years, specifically working with those most at risk of youth violence to steer them away from becoming serious offenders.

(Page 76, paragraph 5.22)

Education

- £400 million this year for schools in England to spend on their equipment and facilities

(Page 76, paragraph 5.20)

Culture and tourism

- £120 million to a UK Festival of Innovation and Creativity. The Festival will deliver an exciting programme of events on arts, culture, design and tech across the country, and will help attract new inward investment.
(Page 59, paragraph 4.38)
- £8.5 million in Coventry's plans to showcase the city when it hosts the UK City of Culture in 2021. The funding will support Belgrade Theatre to refurbish the auditorium and establish a new creative talent hub. It will also invest in Coventry's Cathedral Quarter, including the refurbishment of historic venues, the creation of additional exhibition space and a centre for music education and concerts. *(Page 68, paragraph 4.84)*
- £100,000 to support the development of proposals for an 'Eden Project North' centre in Morecambe.
(Page 68, paragraph 4.89)

Local infrastructure rate

- Following the announcement at Autumn Budget 2017 that local authorities could bid for access to a local infrastructure rate to support infrastructure projects that are high value for money, five local authorities have been successful in the first round of applications. The Metropolitan Borough of Calderdale, Luton Borough Council, St Helens Council, Transport for London and the West Midlands Combined Authority will be able to borrow a total of £275 million at the new discounted interest rate of gilts +60 basis points.
(Page 67, paragraph 4.80)

Digital Infrastructure

- £200 million from the National Productivity Investment Fund (NPIF) to pilot innovative approaches to deploying full fibre internet in rural locations, starting with primary schools, and with a voucher scheme for homes and businesses nearby. The first wave of this will include the Borderlands, Cornwall, and the Welsh Valleys.
- Alongside the Budget, the Government is publishing consultations to mandate gigabit-capable connections to new build homes and speed up the delivery of upgraded connections to tenants, making it quicker and easier for communications providers to roll out full fibre networks.
- Suffolk is the first local area to be awarded £5.9 million of funding from the third wave of the Local Full Fibre Networks challenge fund, enabling next-generation full fibre connections to key public buildings.
(Page 56, paragraph 4.13)

Remote Gaming Duty

- As announced in May 2018, in order to ensure funding for public services is maintained following the implementation of a £2 maximum stake on B2 machine games, the rate of Remote Gaming Duty will increase to 21%. Both the reduction in maximum stake and increased duty rate will come into effect in October 2019.
(Page 50, paragraph 3.68)

Blocking scams and nuisance phone calls

- As part of the government's efforts to tackle nuisance calls, National Trading Standards will receive further funding to extend their project providing telephone call blocking technology to vulnerable people.
(Page 79, paragraph 5.50)

Hidden economy and licences

- Following the consultation 'Tackling the hidden economy: public sector licensing' published in December 2017, the government will consider legislating at Finance Bill 2019/20 to introduce a tax registration check linked to licence renewal processes for some public sector licences.
(Page 52, paragraph 3.89)

Roads and transport infrastructure

- The government will hypothecate English Vehicle Excise Duty to roads spending, announcing that the National Roads Fund will be £28.8 billion between 2020-25. The Fund will provide long-term certainty for roads investment, including the new major roads network and large local major roads schemes, such as the North Devon Link Road.
(Page 55, paragraph 4.8)
- The Budget announced the draft Roads Investment Strategy 2. This will enable the government to build on the Roads Investment Strategy 1, such as the A1(M) link to Newcastle, and progress transformative projects like the A66 Trans-Pennine, the Oxford-Cambridge Expressway, and the Lower Thames Crossing. The government expects to spend £25.3 billion on this strategy, funded by the National Roads Fund, between 2020/25.
(Page 55, paragraph 4.9)
- The government will allocate £420 million to local authorities in 2018/19 to tackle potholes, repair damaged roads, and invest in keeping bridges open and safe. To support projects across England that ease congestion on local routes, the government will also make £150 million of NPIF funding available to local authorities for small improvement projects such as roundabouts.
(Page 55, paragraph 4.10)
- As part of the NPIF, the Government is extending the Transforming Cities Fund by a year to 2022/23. This will provide an extra £240 million to the six metro mayors for significant transport investment in their areas: £21 million for Cambridgeshire and Peterborough, £69.5 million for Greater Manchester, £38.5 million for Liverpool City Region, £23 million for West of England, £71.5 million for the West Midlands, and £16.5 million for Tees Valley. In addition, a further £440 million will be made available to the city regions shortlisted for competitive funding. Ten city regions are eligible for this funding, and the government will shortly be announcing a further two.
(Page 55, paragraph 4.11)
- To support the Industrial Strategy Future of Mobility Grand Challenge, £90 million from the NPIF will be allocated to the Transforming Cities Fund to create Future Mobility Zones. This will trial new transport modes, services, and digital payments and ticketing. £20 million of this will be allocated to the West Midlands.
(Page 55, paragraph 4.12)

Housing Benefit

- The Government continues to ensure that housing benefit is targeted most effectively to support those who need it. This includes:
 - Revising the timetable for transferring rent support from Housing Benefit to Pension Credit – The Government will delay the transfer of rent support from Housing Benefit to Pension Credit by 3 years, to ensure that this transfer aligns with the full implementation of Universal Credit.
 - Retaining funding for supported housing in welfare – As announced in August 2018, the government has decided to retain funding for

supported housing within the welfare system, rather than moving to a local funding model.

- Reinstating automatic entitlement to housing support for 18 to 21 year olds – As announced by the Secretary of State for Work and Pensions in March 2018, the Government will reinstate automatic entitlement for housing support for 18 to 21 year olds. This group will therefore be entitled to claim support for housing costs under Universal Credit. *(Page 78, para 5.39)*

Waste and recycling

- A tax on the production and import of plastic packaging from April 2022. Subject to consultation, this will apply to plastic packaging which does not contain at least 30 percent recycled plastic *(Page 48, paragraph 3.56)*
- Reform of the Packaging Producer Responsibility System, which will aim to increase producer responsibility for the costs of their packaging waste, including plastic. *(Page 48, paragraph 3.56)*
- The Government recognises the important role incineration currently plays in waste management in the UK, and expects this to continue. However, in the long term the government wants to maximise the amount of waste sent to recycling instead of incineration and landfill. Should wider policies not deliver the government's waste ambitions in the future, it will consider the introduction of a tax on the incineration of waste, in conjunction with landfill tax, taking account of the possible impacts on local authorities *(Page 48, paragraph 3.58)*
- The Government has concluded that a levy on all cups would not at this time be effective in encouraging widespread reuse. *(Page 49, paragraph 3.59)*
- The Government is providing £20 million to support measures in this Budget to tackle plastics and boost recycling. Of this £10 million will pioneer innovative approaches to boosting recycling and reducing litter, such as smart bins. *(Page 65, paragraph 4.69)*

Tree planting

- £10 million funding between 2019/20 and 2022/23 for local community street trees and urban trees. *(Page 65, paragraph 4.71)*

Business-Backed Development Corporations

- A consultation on the legal framework for Development Corporations. It will also launch a £10 million competitive fund, supported with advice from Sir George Iacobescu, to enable local areas to generate locally-led proposals for new business-backed Development Corporations and similar delivery bodies. *(Page 67, paragraph 4.79)*

Strength in Places Fund

- An additional £120 million through the Strength in Places Fund. This will support clusters of science and innovation excellence across the UK and enable them to further develop their strengths. This funding extends the existing programme until 2021/22.
(Page 58, paragraph 4.28)

Public Finance Initiative

- The Government has considered the Private Finance Initiative (PFI) and its successor PF2, in light of experience since 2012, and found the model to be inflexible and overly complex. The OBR's FRR (Financial Risks Report) also identified private finance initiatives as a source of significant fiscal risk to government. PF2 has not been used since 2016. The Budget announces government will no longer use PF2 for new projects. A new centre of best practice in the Department of Health and Social Care (DHSC) will improve the management of existing PFI contracts.
(Page 29, paragraph 1.51)

Centre for Public Service Leadership

- £21 million to establish and run a new Centre for Public Service Leadership as a home for the development of public service leaders. The Centre will support leaders to improve productivity and transform the outcomes of the services they run.
(Page 76, paragraph 5.24)

Apprenticeships

- The Chancellor announced that the Government will introduce a package of reforms to strengthen the role of employers in the apprenticeship programme, so they can develop the skills they need to succeed. As part of this:
 - the Government will make up to up to £450 million available to enable levy paying employers to transfer up to 25 per cent of their funds to pay for apprenticeship training in their supply chains.
 - the Government will make up to up to £240 million, to halve the co-investment rate for apprenticeship training to 5 per cent.
 - the Exchequer Secretary to the Treasury and the Minister for Apprenticeships and Skills will work with a range of employers and providers to consider how they are responding to the Apprenticeship Levy across different sectors and regions in England, as well as the future strengthened role of apprenticeships in the post-2020 skills landscape.
(Page 61, paragraph 4.48)

National Retraining Scheme

- £100 million for the first phase of the National Retraining Scheme (NRS). This will include a new careers guidance service with expert advice to help people identify work opportunities in their area, and state-of-the-art courses combining online learning with traditional classroom teaching to develop key transferable skills.
(Page 61, paragraph 4.49)

Skills pilots

- £20 million of skills pilots in Greater Manchester.
(Page 61, paragraph 4.50)

Digital Services Tax

- From April 2020, the government will introduce a new 2% tax on the revenues of certain digital businesses to ensure that the amount of tax paid in the UK is reflective of the value they derive from their UK users. The tax will:
 - apply to revenues generated from the provision of the following business activities: search engines, social media platforms and online marketplaces
 - apply to revenues from those activities that are linked to the participation of UK users, subject to a £25 million per annum allowance
 - only apply to groups that generate global revenues from in-scope business activities in excess of £500 million per annum
 - include a safe harbour provision that exempts loss-makers and reduces the effective rate of tax on businesses with very low profit margins
(Page 44, Paragraph 3.26)

Parental bereavement leave and pay

- The Government will introduce a new statutory entitlement to two weeks' of leave for employees who suffer the death of a child under 18, or a stillbirth after 24 weeks of pregnancy. Employed parents will also be able to claim pay for this period, subject to meeting eligibility criteria. This entitlement will come into force in April 2020.
(Page 78, Paragraph 5.40)

Mental health of Veterans

- To mark the centenary of the First World War Armistice and the sacrifices made by so many men and women, the Government will commit £10 million to support veterans with mental health needs, and will make available an additional £1 million for First World War battlefield visits for school students.
(Page 81, paragraph 5.66)

Flood risk management

- £13 million to tackle risks from floods and climate change, through pilot projects to ensure property owners have the best information on protecting their homes, and expanding the flood warning system to an additional 62,000 at-risk properties.

(Page 64, paragraph 4.68)

Breathing space

- Following the Financial Guidance and Claims Act 2018, the Budget announces a [consultation](#) on a breathing space scheme for people in problem debt. The scheme will introduce a 60-day period of protection from creditor action to recover debts to help people make plans to pay back their debts in a sustainable way.

(Page 80, Paragraph 5.58)