

# Local Government Association

## Autumn Statement 2014 – On the Day Briefing

3 December 2014

*The Autumn Statement 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 measures to promote economic growth.*

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

### Key Messages

- The Chancellor has confirmed that local services will not face additional cuts in 2015-16. The Government has therefore acknowledged the huge contribution councils have already made to balance the country's books and the fragile financial position in which this has placed many local authorities.
- By May 2015, Government funding for councils will be 40 per cent lower than in 2010. Further reductions without radical reform will have a detrimental impact on people's quality of life.
- Following the new devolved powers announced for Greater Manchester, it is disappointing that devolution for the rest of England did not feature. The Government has promised new devolved powers for Scotland, Wales and Northern Ireland but has yet to deliver for England. All parts of the country, from big cities to non-metropolitan areas, need greater freedom from Whitehall.
- It is disappointing that the Chancellor missed an opportunity to lift the Housing Revenue Account borrowing cap and take council housing borrowing out of the Public Sector Borrowing Requirement.
- Adult social care is also under enormous strain and desperately needs to be put on a sustainable financial footing. It is therefore extremely disappointing that the Government has chosen to direct scarce new funding into the NHS to only one part of the health and social care system.
- Three of the Chancellor's announcements in the Autumn Statement, on multi-year funding settlements, business rates and licensing, show that the Government has listened to the LGA and responded positively to the LGA's campaigning.
- The LGA's report "Investing in our Nation's Future: the first 100 days of the next government" recommends five year funding settlements for local government, as longer-term financial certainty is crucial to good quality, well-run public services. The Chancellor has committed to this with multi-year budgets for local government.
- Councils work hard to help high streets and small businesses flourish. We welcome the announcement of the review of the future structure of business rates, which the LGA has been calling for, and the Government's assurance that it will be fiscally neutral as far as local government is concerned.



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# Briefing

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- As recognised by the Chancellor, councils have a role to play in reducing the costs of local licensing regimes. Today's announcement of a single online application process for local businesses to apply for licences is based on the LGA's proposals for licensing reform and is the first step towards much-needed comprehensive licencing reform.

### **Public and local government finance**

The Chancellor announced that:

- The decisions announced today will not be funded through a further reduction in local government funding (*Autumn Statement page 64, table 2.1*)
- The Government's fiscal assumption is that Total Managed Expenditure (TME) in 2016-17 and 2017-18 will fall in real terms at the same rate as between 2010-11 and 2014-15. TME will stay flat in real terms in 2018-19 and 2019-20. Public spending control is central to the Government's commitment to reducing the deficit (*Autumn Statement page 22, paragraphs 1.43 and 1.46*)
- The Government has committed to giving local authorities and clinical commissioning groups (in collaboration with NHS England) indicative multi-year budgets as soon as possible after the next Spending Review. The Government will also work towards enabling greater multi-year certainty in funding for schools and certainty for adult education providers where appropriate, in the context of area based strategies (*Autumn Statement page 68, paragraph 2.15*)

### **LGA view:**

- At a time when local authorities are contending with the biggest cuts in living memory, we are pleased that our campaigning has meant that local government spending has not been cut further giving some certainty over the next year.
- As the economy continues to recover there will be an expectation that the provision of public services will increase, but local government will operate in an ever-reducing funding envelope. Government should recognise the significant contribution of councils to deficit recovery and protect local government funding from any further cuts.
- The LGA has been calling for five year settlements for local government for some time. We welcome the decision to work towards multi-year settlements for councils, clinical commissioning groups, schools and adult education providers, which will give local councils and their partners more certainty to better plan their service delivery. It is helpful that the government recognises the interconnectedness of health and social care in this area. However, we want the government to go further and commit to full and clear multi-year budgets to cover the period of the Parliament to better enable effective long-term planning between health and social care.

### **Business rates**

The Chancellor announced that:

- The business rate rise in 2015-16 will be capped at two per cent. Otherwise, it would have risen by 2.3 per cent in the line with the increase in the September

## 2014 Retail Prices Index.

- The temporary extension of small business rate relief which was due to expire on 31 March 2015 will once again be extended, this time until April 2016.
- The transitional arrangements for businesses with a rateable value of up to £50,000, due to expire in April 2015, will be extended until April 2017.
- The discount against business rates bill for retail premises such as pubs, cafes and restaurants with a rateable value of up to £50,000 will be extended to £1,500 for 2015-16.
- The rules will be changed so that alterations to rateable values can only be backdated to the period between 1 April 2010 and 1 April 2015 for Valuation Office Agency (VOA) alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015.
- There will be a review of the future structure of business rates to report by Budget 2016. This will be fiscally neutral and consistent with the Government's agreed financing of local authorities. They will also publish interim findings from the review of business rates administration in December 2014.
- The Government will publish a discussion paper on the nature and scale of business rates avoidance in December 2014.  
*(Autumn Statement page 45, paragraphs 1.160 and 1.161; page 79, paragraphs 2.126 – 2.132; page 81, paragraphs 2.150)*

### **LGA view:**

- We welcome the review of the future structure of business rates. In our reply to the Business Rates administration review, we said that the Government should go beyond the scope then defined and should look at areas such as e-commerce. We look forward to playing a full part in the review. We welcome the Government's assurance that it will be fiscally neutral as far as local government is concerned.
- A further extension of the cap on business rates income and other business rates measures risks making local government income less buoyant than it is at present. The LGA understands that local government will continue to be fully compensated for the loss of income but this is no substitute for a buoyant taxbase.
- We welcome the extension of the small business rates relief extension and other measures to help small businesses and note the Government's previous commitment to paying for this through the New Burdens Doctrine. We look forward to confirmation that this payment will be made as soon as possible.
- The news on limiting the time for appeals against the 2010 valuation list is positive. However, we feel that the Government should go further and allow appeals from before March 2013 to be set against the old business rates pool so local government does not have to bear any of the risk.
- We welcome the Government's commitment to consider taking action on business rates avoidance. The LGA recently collaborated with the Treasury in carrying out a survey of authorities.

## **Health and social care**

The Chancellor announced that:

- An extra £2 billion will be spent on NHS frontline services in 2015-16.  
(*Autumn Statement page 30, para 1.81 and page 68, para 2.17*)

### **LGA view:**

- It is not just the NHS that is facing financial pressure; adult social care is also under enormous strain and desperately needs to be put on a sustainable financial footing. Failure to do so will jeopardise services and tip some into failure, threaten successful implementation of the Care Act reforms, put further strain on councils' overall budgets, and reduce the capacity of the sector to support a sustainable NHS. It is therefore extremely disappointing that the Government has chosen to direct scarce new funding to only one part of the system. This is counterproductive given the clear interdependencies between health and social care and the clear policy aspiration for integrated services focussed on prevention and wellbeing.
- Social care will be facing significant and additional pressures in 2015-16. Adult social care is facing a 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). Changes to the legal basis of Deprivation of Liberty Safeguards will add additional, on-going and unplanned costs of £88 million. In addition, concerns remain about the affordability of the Care Act in 2015-16, with potential underfunding of up to £50 million. The LGA raised these issues in its submission so it is again extremely disappointing that the Government has offered no assurances on either of these pressures in its Autumn Statement.
- Government must acknowledge that adult social care is in crisis now. It must also focus its efforts on allowing local areas to shape the next iteration of a bigger Better Care Fund over a longer period of time and with an accompanying transformation fund of new money. This must be free from Whitehall interference so that real transformation can be achieved on the basis of investing to save, rather than saving to invest.

## **Public service transformation**

The Chancellor announced that:

- In responding to the recommendations of the Service Transformation Challenge Panel, the Government will look to develop and extend the principles of the Troubled Families programme to other groups of people with complex needs from the next Spending Review.  
(*Autumn Statement page 68, paragraph 2.14*)

### **LGA view:**

- We welcome the recognition of the success of the council-led Troubled Families programme. The expansion to new groups of people is an important step towards the LGA's vision for devolved place-based budgets that will enable the local joining-up of public services to better meet the needs of people and places.

- Any expansion must recognise the existing work of councils and their partners through the many local and national programmes already underway. Councils must be involved at an early stage of development to ensure that this extension builds on and does not duplicate this important work, and that learning from current programmes about the complexity of existing systems is reflected in the design.

## **Broadband**

As announced in the National Infrastructure Plan, the Chancellor confirmed that:

- The Government will provide up to £40 million to extend the Super Connected Cities Small and Medium Enterprise (SME) connection voucher scheme to March 2016 and to more cities.  
*(Autumn Statement page 38, paragraph 1.118)*

### **LGA view:**

- Broadband is an essential enabler of economic growth and this funding will help to ensure that even more businesses in cities are supported to get online.
- We also need to ensure that the predominantly rural communities, who are already lagging behind in the broadband rollout, get access to superfast broadband as soon as possible.

## **Growth**

The Chancellor announced that:

- There would be plans to create a “Northern Powerhouse” by investing over £7 billion in transport infrastructure, culture, science and technology across the north of England.  
*(Autumn Statement page 49, paragraph 1.188)*
- The allocation of £1 billion from the £12 billion Local Growth Fund for a second wave of Growth Deals announced in the previous spending round. LEPs will be allowed to bid for local projects as part of their ambitious plans for growth.  
*(Autumn Statement page 48, paragraph 1.182)*

### **LGA view:**

- The “Northern Powerhouse” announcement is very good news for people living in the North and it is only a start. Devolving to England’s northern city regions could generate billions of pounds worth of economic growth.
- The interim report of the ‘Independent Commission on Economic Growth and the Future of Public Services in Non-Metropolitan England’ found that shires are also major engines of economic growth but need to be empowered with devolved decision-making.
- Bringing funding forward to support local growth will always be welcome. However, we have strong concerns about involving local leaders and businesses in yet another costly and bureaucratic bidding exercise.

- These announcements should be the first steps to a much bigger and wider process of devolution for the whole of England. This will require different approaches for different areas and therefore allow them to take on further devolved responsibilities.

## **Licensing**

The Chancellor announced that:

- Councils have a role to play in reducing the costs of “local licensing regimes”. By 2018 councils will be expected to offer a single online application process for local businesses to apply for licences, requiring them to register their details only once. The Better Regulation Delivery Office (BRDO) will work with councils to collect evidence of barriers to streamlining processes and reducing burdens on businesses.

*(Autumn Statement page 90, paragraph 2.239)*

### **LGA view:**

- This announcement is based on the LGA’s proposals for licensing reform, published in *Rewiring Licensing* earlier this year. The LGA called for comprehensive reform of the licensing framework, including a single application process and business licence, and a complete overhaul of licensing legislation.
- It is good that Government has recognised that there is a need to address outdated licensing processes, which cause costs for businesses and councils. Since licensing frameworks are set by national legislation, it will be imperative that the Government moves quickly to remove the barriers and costs this creates, if councils are to be able to meet the 2018 target. Licences must reflect the way businesses operate, not how governments have introduced Acts of Parliament. Removing these national barriers will ultimately enable councils to move further and create the single business licence envisaged in *Rewiring Licensing*.
- *Rewiring Licensing* was not, however, simply about streamlining licensing processes. Our proposals emphasised the importance of councils having the right tools to safeguard local residents and communities where there are concerns about specific activities and this, along with localised licence fees, must also be a feature of a reformed licensing framework.

## **Transport**

The Chancellor announced that:

- Plans for how the £15 billion capital fund announced last June will be spent have been finalised and published as part of the Roads Investment Strategy.  
*(Autumn Statement page 37, paragraph 1.115)*
- Funding for highways maintenance, totalling £5.8 billion over the next six years.  
*(Autumn Statement page 37, table 1.7)*

### **LGA view:**

- The £15 billion roads investment for our motorways and main trunk roads is long overdue and will help unlock growth for many areas. The Government must now match this ambition and funding certainty for the other 98 per cent of local roads which make up our national roads network.
- Councils would welcome certainty in their allocations of funding from the £5.8 billion fund for highways maintenance. The fund, and the proposed allocation methodology, will do little to help councils to tackle the estimated £12 billion backlog of road repairs.
- Given their impact on local growth, it is vital that local authorities, through their LEPs, are genuinely consulted on and able to shape the investment plans of the new strategic roads company.

### **Youth employment**

The Chancellor announced that:

- The Government would remove employer National Insurance Contributions (NIC) for employers taking on apprentices under 25, with the aim of stimulating demand across employers and young people.  
*(Autumn Statement page 45, paragraph 1.156)*

### **LGA view:**

- Apprenticeships are critical to supporting people into work and any effort to boost them is welcome. This measure may incentivise employers to create apprenticeships and increase the wage for apprentices. However, the minimum wage for apprentices is currently just £2.62 an hour, or around £95 per week, much lower than the minimum threshold for paying NIC at £153 per week.
- The proposal does not address the fundamental challenges in the apprenticeship system which subsidises employers to create apprenticeships which are increasingly for existing employees. Such employees are more likely to be older and in sectors associated with low skills. Meanwhile, SMEs go without the help they need to create opportunities.
- The blanket removal is also inefficient with potentially high deadweight costs. For example, in 2012-13, there were just under 300,000 under 25 apprentices without the incentive. The Government should work with local authorities to target financial incentives at local employers that need it, and expand the Apprenticeship Grant for Employers (AGE) devolved to councils to provide wider support to employers.

### **Devolution to countries of the United Kingdom**

The Chancellor announced that:

- The Government recognises the strongly held arguments for devolving Corporation Tax rate-setting powers to Northern Ireland.
- The parties in the Northern Ireland Executive are currently taking part in talks aimed at resolving a number of issues. These include agreeing budgets for 2015-16 and putting the Northern Ireland Executive's finances on a

sustainable footing for the future. The Government will introduce legislation in this Parliament subject to satisfactory progress on these issues in the cross-party talks.

*(Autumn Statement page 33, paragraphs 1.103-1.105)*

- Agreement has been reached with the Welsh Government on full devolution of non-domestic (business) rates policy. A fully devolved regime will be operational by April 2015.

*(Autumn Statement page 69, paragraph 2.25)*

#### **LGA view:**

- Whilst we are pleased that Northern Ireland, Scotland and Wales have received confirmation of further powers to govern their own affairs, the Government has missed an opportunity to announce a devolution settlement for all English communities.
- The LGA Chair recently met Rt Hon William Hague MP, the Chair of the Cabinet Committee for devolved powers, with the leaders of the local government associations of Scotland, Wales and Northern Ireland. Collectively they emphasised the need for a fair constitutional settlement for all of the UK and for powers to be devolved to beyond Westminster, Cardiff Bay, Holyrood and Stormont to local communities.
- All the evidence shows 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.
- The LGA is calling for a fair sharing out of tax and spending across the UK. It is therefore important that the principles of fiscal neutrality as set out in the Smith Commission report are adhered to in the case of Northern Ireland as well.

#### **Housing**

The Chancellor has announced that:

- The Government will reform Stamp Duty Land Tax with immediate effect.  
*(Autumn Statement page 53, paragraph 1.208)*
- The Chancellor confirmed announcements made in the National Infrastructure Plan:
  - The Government will consult on ways to increase the borrowing capacity of housing associations *(Autumn Statement page 70, paragraph 2.40)*.
  - The Affordable Housing capital investment programme will be extended to 2020 *(Autumn Statement page 41, paragraph 1.138)*.
  - The Government will release land with capacity for 150,000 homes between 2015 -2020 *(Autumn Statement page 41, paragraph 1.135)*.
  - A series of large scale housing developments will go ahead. This includes development at Northstowe which will trial the potential for central government to directly commission housing development. *(Autumn Statement, pages 40-41, paragraphs 1.131-1.133 and 1.136)*



#### LGA view:

- Councils and their partners must be involved in planning for and delivering large scale development in partnership with local communities as a core principle. Plans to release further public sector land miss an opportunity to create local land trusts which would support local growth.
- It is disappointing that the Chancellor missed an opportunity to lift the Housing Revenue Account borrowing cap and take council housing borrowing out of the Public Sector Borrowing Requirement. The constraints on local authority borrowing are particularly noticeable now that Government has granted additional flexibility for Housing Associations. We will also be seeking clarity from the Government on the impact of revaluation of housing association stock on the housing benefit bill.
- It is helpful that the affordable housing capital investment programme has been extended. This funding should be open to councils on a level playing field with other housing providers.

#### **Flooding**

As announced in the National Infrastructure Plan, the Chancellor confirmed that:

- The Government has published its six year programme of investment in flood defences, allocating the £2.3 billion capital funding provided at the 2013 Spending Round.
- To further encourage private sector investment in this programme, the Government will legislate to ensure that business contributions to flood defence schemes are tax deductible (*Autumn Statement page 37, paragraph 1.116*).

#### LGA view:

- The confirmation of this funding is good news for the areas affected. However, it is frustrating that the Government has continued to hold the funding available for capital works centrally rather than devolving to a single pot at local level and allowing flexibility over capital and revenue funding.
- We are pleased that Government has recognised our calls to introduce private sector incentives for investment in flood defences.

#### **Planning**

As announced in the National Infrastructure Plan, the Chancellor confirmed that (*Autumn Statement page 41, paragraph 1.141*):

- The Government will bring forward proposals for compulsory purchase reforms for consultation at the Budget 2015.
- The Government will take steps to speed up Section 106 negotiations. This will include revised guidance, consulting on a faster process for reaching agreement, transparency on the use of funding and considering how timescales for agreement could be introduced.
- The Government intends to raise the planning performance threshold of major

decisions to 50 per cent as performance improves. The Government will also publish new data on council performance in processing smaller planning applications within 8 weeks.

- Measures will be taken forward to ensure that the principle of development only needs to be established once. The Government will work with local authorities and industry to test whether more can be done to support the approval of small sites.

#### **LGA view:**

- We are pleased that the Government has recognised the LGA's calls for the reform of the compulsory purchase order process which is resource intensive and complex. We await further information on the proposals.
- We would be concerned if Government reforms made it more difficult for councils to secure legitimate and important infrastructure contributions through Section 106 agreements which are necessary to the development.
- The planning performance regime is an unnecessary measure focusing on arbitrary process targets. The announcement that these targets are to be raised ignores the fact that a sector-led approach would be a far more effective means of driving improvement where it is required.

#### **Energy**

The Chancellor announced that:

- The Government intends to set up a long-term investment fund from tax revenues from shale for the North and other areas hosting shale gas developments (*Autumn Statement page 38, paragraph 1.123*)

#### **LGA view:**

- Arrangements for holding an investment fund from fracking need to reflect the fact the revenue is the one-off use of an asset and should not be treated as ordinary tax revenue for day-to-day financing. This funding should be held at a local level. It is disappointing that the Government has not also addressed community benefit schemes in its announcement. Communities who host fracking developments should receive benefits on a par with those internationally through local sovereign wealth funds managed at the level of the consenting planning authority.

#### **Adult skills and employment**

The Chancellor announced that:

- Starting in 2015-16, a further £3 million would be committed to expand existing psychological work and wellbeing pilots in order to improve outcomes for people with mental health conditions.  
(*Autumn Statement page 89, paragraph 2.232*)

#### **LGA view:**

- People with mental health conditions are one of the groups least effectively supported through national employment streams. The £3 million announced to

help overcome their barriers and take steps to move closer to work is welcome. Councils play a vital role in working with health services to target support and coordinate services, and should play a key role in partnership with others to direct this funding.

### **Workforce**

The Chancellor announced that:

- The Government will assess the result of public sector pay bill control pilots in the next Spending Review.  
*(Autumn Statement page 29, paragraph 1.74)*

### **LGA view:**

- The recent pay deal in local government is unique in the public sector and has provided meaningful pay growth for all, especially the lowest-paid whilst remaining affordable. Industrial action has been avoided.
- The period up to April 2016 will allow for careful consideration of a long-term plan for pay in the sector.

### **Further Information:**

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