Division(s):N/A

CABINET – 16 DECEMBER 2014

ADDENDA

SERVICE & RESOURCE PLANNING 2015/16 – 2017/18

Report by Chief Finance Officer

Introduction

1. As set out in the main report, the Chancellor made his Autumn Statement on 3 December 2014 as expected. This addenda summarises the key announcements in the Statement and sets out the implications for the County Council.

Key announcements

The Economy

2. The Office of Budget Responsibility's (OBR's) forecasts of economic growth have been revised upwards in the short-term from 2.7% to 3.0% in 2014/15 and from 2.3% to 2.4% in 2015/16. Growth forecasts beyond 2015/16 have been revised downwards to 2.2% from 2.6% in 2016/17, 2.4% from 2.6% in 2017/18 and 2.3% from 2.5% in 2018/19. The forecast growth in 2019/20 is 2.3%.

3. Despite strong economic growth, there has been a sharp fall in the amount of tax raised and as a result the budget deficit is expected to fall by only £6.3bn to £91.3bn in 2014/15. The structural deficit has halved since its peak in 2009/10 and is expected to fall each year and to be in surplus by 2018/19.

4. Both CPI and RPI inflation forecasts have been revised down significantly. CPI inflation is expected to remain below the Bank of England's 2% target until 2017. The RPI inflation measure is used to uprate the business rate multiplier each financial year, and has been revised down to 2.2% from 3.2% in 2015.

Public Spending

5. The Government's restraint in public spending is to continue for the next Parliamentary period, with significant savings of around £23.5bn to be made by 2018/19. £13m of this is to be made by reducing Government departments' budgets and the remainder from the welfare budget. It is not clear whether the existing protections for health, education and international development will continue to apply.

6. In the Economic and Fiscal Outlook, the OBR comment that "*the Government's policy assumption for total spending implies that the burden of the remaining*

consolidation would fall overwhelmingly on the day-to-day running costs of the public services – and more so after this Autumn Statement. Between 2009-10 and 2019-20, spending on public services, administration and grants by central government is projected to fall from 21.2 per cent to 12.6 per cent of GDP and from £5,650 to £3,880 per head in 2014-15 prices. Around 40 per cent of these cuts would have been delivered during this Parliament, with around 60 per cent to come during the next. The implied squeeze on local authority spending is similarly severe."

7. The graphs in Annex 1 show the scale of the reductions to be made in the next Parliamentary period.

8. An extra £2bn will be available for frontline NHS services in 2015/16. £1.5bn will be provided in extra funding to help the NHS meet increased demand and deliver patient care, and £200m will be invested in a transformation fund to help deliver the first year of the NHS's 'Five Year Forward View.

9. The government has pledged to give Councils and Clinical Commissioning Groups indicative multi-year budgets "as soon as possible after the next spending review" to "embed joint planning in health and social care further, and build on the better care fund."

<u>Taxes</u>

10. A range of measures relating to business rates was announced including:
    - Reducing the 2.3% RPI increase for 2015/16 to 2%.
    - The £1,000 discount for all retail premises, pubs and cafes (excluding banks and betting offices) with rateable values below £50,000 will be increased to £1,500.
    - Continuation of the current Small Business Rate Relief for a further year.
    - A review of the structure of business rates will be carried out by the Government, reporting by Budget 2016. The review will be fiscally neutral for local authorities (so the total rates raised nationally from business rates will not change as a result of the review).
    - The government will publish its interim findings from the review of business rates administration in December 2015, setting out how it will respond to businesses' calls for clearer billing, better information sharing and a more efficient appeal system.

11. The Autumn Statement set out a reform of residential property stamp duty. The new rates will only apply to the part of the property price that falls within that band, so there will no longer be a huge jump in stamp duty on properties just over the threshold. 0% is paid for the first £125,000 then 2% on the portion up to £250,000, 5% up to £925,000, then 10% up to £1.5m and 12% on anything above that. The changes came into effect from midnight on 4 December 2014.

12. Employer National Insurance Contributions for organisations that employ young apprentices (under 25 years old) will be abolished.

13. Fuel duty will be frozen until May 2015.

14. Contributions from businesses to a Flood and Coastal Erosion Risk Management (FCERM) partnership funding scheme from 1 January 2015 will attract a 100% tax deduction.

Capital Investment

15. In an update to the National Infrastructure Plan, the Government has committed £15bn to improve the national road network. This will include around £6bn to resurface 80% of the Highways Agency network, and over £9bn to add 1,300 extra lane miles and over 60 junction improvements. The Government also previously committed to £5.8bn in capital funding over the next Parliament to improve the condition of local authority-managed roads.

16. The Treasury also announced the details for over 1,400 flood defence schemes totalling £2.3bn over the next 6 years to protect homes from flooding.

17. There will be a £235 million investment in the Sir Henry Royce Institute for advanced materials, which will be based at Manchester University with satellite centres at Leeds, Liverpool, Sheffield, Cambridge, Oxford and Imperial College. The institute will drive collaborations between academia and industry, to commercialise the UK's world-leading research in this field.

18. The government will release public sector land with capacity for up to 150,000 homes between 2015 and 2020.

Local Growth

19. The Government will allocate a further £1bn from the £12bn Local Growth Fund announced in Spending Round 2013 for a second wave of Growth Deals. The Government says this will allow LEPs to bid for support for local projects as part of 'their ambitious plans for growth'.

20. Section 106 negotiations will be speeded up to reduce delays to the planning process. This will include revising guidance, consulting on a faster process for reaching agreement, considering how timescales for agreement could be introduced and improving the transparency on the use of Section 106 funds.

Implications for the County Council

21. The business rate measures announced in the Autumn Statement are estimated to reduce the Council's income by £0.6m in 2015/16. This is expected to be fully compensated by the government through a specific grant.

22. Key programmes/projects relating to Oxfordshire include:

- Up to £25m for 'Technology enhancements' on the A34 – detection loops, CCTV cameras and other driver information systems
- Up to £25m for improvements at Peartree and Botley interchanges
- A Cambridge to Oxford Expressway – improvements are planned mainly at the Cambridge end.
- £42m towards the Oxford Flood Alleviation Scheme.
- The government will also support Bicester to provide up to 13,000 new homes as the second new 'Garden City'.

RECOMMENDATION

23. The Cabinet is RECOMMENDED to:

Note the implications set out in the addenda in forming their budget proposals in January 2015.

LORNA BAXTER
Chief Finance Officer

Background papers: Nil

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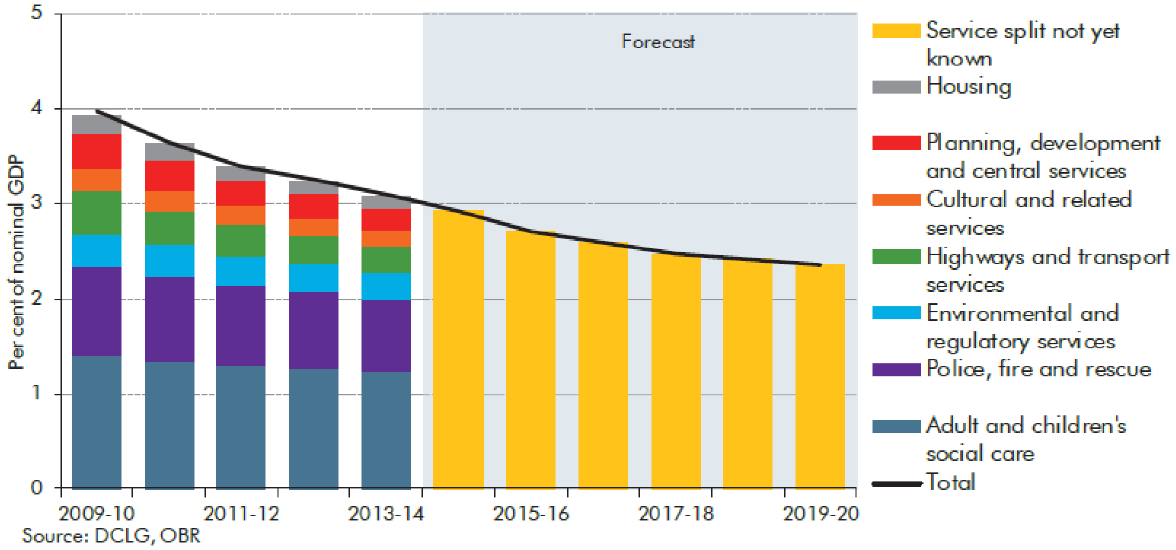
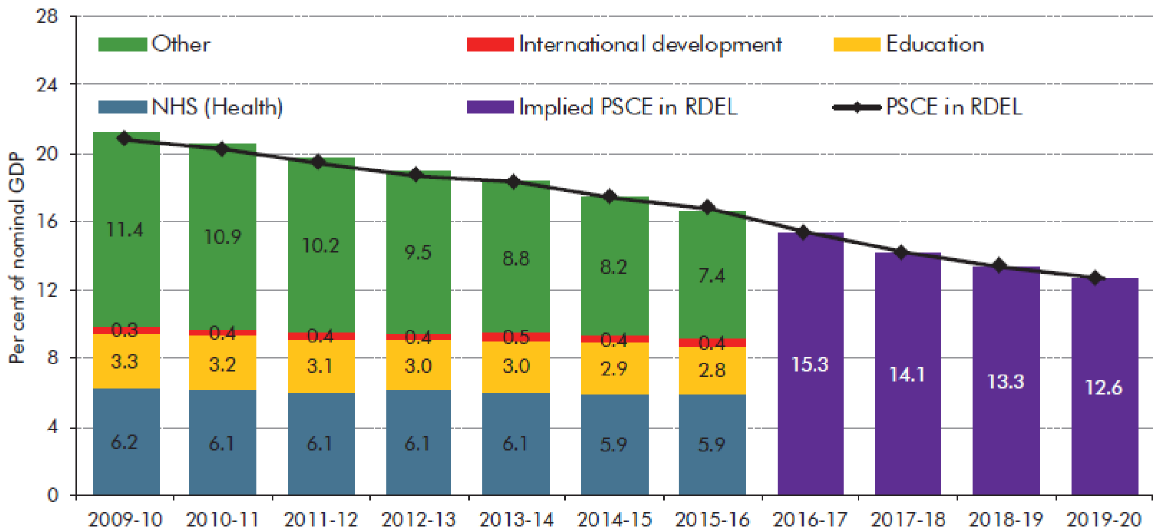
Chart 4.5: Local authority current spending in England



Source: DCLG, OBR

1. Total current spending excludes education and public health, where data are not comparable across years, and also excludes housing benefit, which is largely funded by central government. 2. Total spending from 2016-17 derived on the assumption that central government grants to local authorities decline in line with total implied PSCE in RDEL

Chart 4.4: Resource DEL and implied resource DEL relative to GDP



Plans for RDEL excluding depreciation upto 2015-16. Beyond 2015-16 based on implied PSCE in RDEL calculated from the Government assumption for TME. Other includes unallocated amounts.

Source: HM Treasury Autumn Statement 2014, HM Treasury Public Expenditure Statistical Analyses, July 2014