

## **CABINET – 17 DECEMBER 2013**

### **ADDENDA**

## **SERVICE & RESOURCE PLANNING 2014/15 – 2017/18**

### **Report by Chief Finance Officer**

#### **Introduction**

1. As set out in the main report, the Chancellor made his Autumn Statement on 5 December 2013 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 from 0.6% to 1.4% in 2013 and from 1.8% to 2.4% in 2014. Growth is projected to rise to 2.7% in 2017.
3. The date at which debt is predicted to begin falling is 2016/17, a year earlier than forecast at Budget 2013. Public sector net borrowing is forecast to be in surplus in 2018/19.
4. Although the structural deficit continues to fall year on year, the OBR believes that this reflects the improvement in economic outlook since Budget 2013 rather than an improvement in growth potential. The Autumn Statement 2013 therefore sets out a fiscally-neutral response to the improved outlook and reinforces the government's commitment to its deficit reduction plan and to returning the public finances to a sustainable position.

##### Public Spending

5. Government departments' budgets will be reduced by a further 1.1% in 2014/15 and 2015/16, with existing protections for health, education and international development continuing to apply. Local government, the Security and Intelligence Agencies and HMRC will also be excluded – the former to 'encourage councils to take up the Council Tax freeze offer'.
6. The Autumn Statement confirms that the £3.8bn pooled funding for health and social care for 2015/16 announced in the Spending Round 2013 will continue in subsequent years.

7. The government will provide funding to support the provision of free school meals for all children in reception, year 1 and year 2 from September 2014, as well as capital funding to increase capacity in school kitchens and eating areas.
8. Free early education will be extended to the 40% most disadvantaged two year olds by September 2014.
9. The government will provide extra funding over 2014/15 and 2015/16 to support new fraud investigator posts in councils to tackle non-welfare fraud.
10. To incentivise asset sales and support investment in transforming local services, local authorities will be able to bid to use £200m of receipts from asset sales over 2015/16 and 2016/17 for one-off costs of reforming services.

#### Taxes

11. A range of measures relating to business rates was announced including:
  - Reducing the 3.2% RPI increase for 2014/15 to 2%
  - A two-year £1,000 discount for all retail premises, pubs and cafes (excluding banks and betting offices) with rateable values below £50,000
  - Continuation of the current Small Business Rate Relief for a further year and extension of entitlement to relief on second properties
  - Discounts for new occupiers of former retail premises which have been unoccupied for a year
  - Consultation on reforms to the business rates appeals process and a commitment to clear 95% of the backlog of appeals before July 2015
  - Legislation to allow business rate bills to be paid in 12 instalments rather than over 10 months as now
12. A national council tax discount of 50% for family annexes will be introduced from April 2014 to support extended families living together.
13. Employer National Insurance Contributions for under-21 year olds earning less than the higher rate tax threshold will be abolished from April 2015.
14. The rise in fuel duty planned for September 2014 will be cancelled and fuel duty will be frozen for the remainder of this Parliament.

#### Welfare Benefits and Pensions

15. The Autumn Statement sets out how the welfare cap announced at Budget 2013 will operate. The cap will apply to all social security and personal tax credits expenditure but will exclude the State Pension and job seekers benefits. The cap will be set at Budget 2014 and be reviewed at the beginning of each Parliament.
16. The government is legislating for a new State Pension age framework. Future reviews of the State Pension age will be based on the guiding principle that people should expect to spend, on average, up to one third of their adult life in receipt of the State Pension. Based on this, the increase in the State Pension age to 68 is expected to come forward to the mid 2030s, and increase to 69 by the late 2040s.

### Capital Investment

17. The government announced a number of measures to support house building. This includes a £1bn, six year investment programme to fund infrastructure to unlock new large housing sites which will support the delivery of around 250,000 houses. There will also be a £300m increase in Housing Revenue Account borrowing, allocated via a competitive bidding process involving local enterprise partnerships.
18. The government will provide an additional £90m nationally over three years to improve energy efficiency of schools, hospitals and other public sector buildings.
19. Alongside the Autumn Statement, the government published an update to the *National Infrastructure Plan* first published in 2010. It sets out progress on delivery, a refreshed list of priority investments and public and private sector infrastructure projects in the pipeline.

### Local Growth

20. The government will maintain the £2bn Single Local Growth Fund announced in the Spending Round 2013, however will not require local authorities outside of London to pool their New Homes Bonus. On top of the £300m extra Housing Revenue Account borrowing outlined above, £110m of Regional Growth Fund will go into the Local Growth Fund and £50m of large sites funding will be earmarked for local enterprise partnership supported bids for housing growth.
21. There will be a review into the role of local authorities in supporting overall housing supply and consultation on changes to the planning system. An evaluation of the New Homes Bonus scheme will be carried out by Easter 2014, followed by consultation on measures to improve the incentive provided by the scheme.
22. £800m of borrowing at Public Works Loans Board project lending rates will be available to LEPs in partnership with local authorities in 2014/15 and 2015/16. This will be allocated on a competitive basis alongside the Local Growth Fund as part of growth deals.

### **Implications for the County Council**

23. The business rate measures announced in the Autumn Statement are estimated to reduce the Council's income by £1.5m in 2014/15. This is expected to be fully compensated by the government through a specific grant. The Council also expects to be fully funded for the effect of introducing the council tax discount on family annexes.
24. Following the consultation in the summer on pooling local authorities' New Homes Bonus it had been assumed that the Council may lose all of its £3m NHB funding over the medium term, so the government's decision not to pursue this proposal for local authorities outside of London is welcome.

25. Preliminary estimates suggest that it will cost an extra £7m per year to provide free school meals to all reception, year 1 and year 2 pupils in Oxfordshire. It is not yet clear how government funding for this will be allocated to councils. The Council may also get £1.5m capital grant towards the cost of improving kitchens, although this may not be sufficient to meet need.
26. Key programmes/projects relating to Oxfordshire mentioned in the *National Infrastructure Plan 2013* include:
- High Speed 2
  - Great Western rail electrification
  - Diamond Phase 3
  - Super-Connected Cities – Oxford
  - The Big Data Institute – Oxford
  - Satellite Applications Catapult - Oxford Harwell Campus

## **RECOMMENDATION**

**27. The Cabinet is RECOMMENDED to:**

**Note the implications set out in the addenda in forming their budget proposals in January 2014.**

LORNA BAXTER  
Chief Finance Officer

Background papers: Nil

Contact Officers: Stephanie Skivington – Corporate Finance Manager  
Tel. 01865 323995