POLICY BRIEFING

The Spending Review and Autumn Statement Briefing

25th November 2015
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Summary

Today the Chancellor of the Exchequer delivered his second spending review since 2010 and the first under a majority Conservative Government. The statement combines the Spending Review and the Autumn Statement.

Briefing in full

The key points for local government were as follows:

Local Government Funding

- The main grant to local government will be phased out. Other sources of income such as council tax and business rates are forecast to grow in cash terms by £6.3 billion by 2019-20, based on the OBR's forecast for local authority self-financed expenditure. Local government spending is forecast to be higher in cash terms by 2019-20 than in 2015.
- DCLG will shortly consult on changes to the local government finance system to pave the way for the implementation of 100% business rate retention by the end of the Parliament. As part of these reforms, the main local government grant will be phased out and additional responsibilities devolved to local authorities. The government will consult on these and other additional responsibilities in 2016.
- Extension of the doubling of small business rate relief (SBRR) in England for 12 months to April 2017.
- The government will issue new guidance to local authorities to encourage them to rein in 'excessive' salaries and do more to drive efficiencies for local taxpayers.

- The government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects.
- The government will deliver its commitment to a £12 billion Local Growth Fund between 2015-16 and 2020-21.

Devolution

The Statement committed Government to a 'devolution revolution' and made the following pledges:

- Local government to be financially self-sufficient by the end of the Parliament 100% business rate retention.
- Councils will be allowed to cut business rates to boost growth and elected city-wide mayors allowed to raise them for specific projects.
- There will be further commitment to the Northern Powerhouse, including: investment of £13 billion on transport in the North by 2020, a range of investments in scientific research, and supporting further Northern Powerhouse trade missions to key emerging economies.

Health and Adult Social Care

- The ring-fence on public health spending will be maintained in 2016-17 and 2017-18.
- The NHS will receive £10 billion more in real terms by 2020-21 than in 2014-15, with £6 billion available by the first year of the Spending Review so that the government fully funds the NHS's own Five Year Forward View.
- There will be an additional £600 million investment in mental health services. NHS England's Mental Health Taskforce will report in early 2016 and the government will work with them to set out plans for perinatal mental health and coverage of crisis care.
- A social care precept may be introduced by local authorities who are responsible for social care. The precept will work by giving local authorities the flexibility to raise council tax in their area by up to 2% above the existing threshold for spend on adult social care. This is intended to raise £2 billion a year by 2019-20.
- Increase in the Better Care Fund, rising to an extra £1.5 billion by 2019-20.
- £500 million by 2019-20 for the Disabled Facilities Grant.

Housing

- A cap on the amount of rent that Housing Benefit will cover in the social sector to match the relevant Local Housing Allowance.
- A limit to Housing Benefit and Pension Credit to 4 weeks for claimants who are outside Great Britain, from April 2016.
- Additional Discretionary Housing Payment funding to be made available to local authorities to protect the most vulnerable including those in supported accommodation.
- Deliver 400,000 housing starts by 2020-21, focussed on low cost home ownership. This will include:
  - 200,000 Starter Homes which will be sold at a 20% discount compared to market value to young first time buyers, with a £2.3 billion fund to support the delivery of up to 60,000 of these, in addition to those delivered through reform of the planning system.
  - 135,000 Help to Buy, Shared Ownership homes. The scheme will be open to all households earning less than £80,000 outside London and £90,000 in London, and will relax and remove previous restrictions such as local authorities' rights to set additional eligibility criteria.
  - 10,000 homes that will allow a tenant to save for a deposit while they rent.
  - 50,000 affordable homes from existing commitments.
  - At least 8,000 specialist homes for older people and people with disabilities.
- Consultation on reforms to the New Homes Bonus, including means of 'sharpening the incentive to reward communities' for additional homes and reducing the length of payments from 6 years to 4 years.
- A new rate of stamp duty on second homes to pay for these measures.

Planning and Regeneration

- Further reforms to the planning system, including establishing a new delivery test on local authorities, to ensure delivery against the number of homes set out in Local Plans.
- Support for the availability of appropriate land for housing, including by releasing public sector land with capacity for 160,000 homes.
- Support for the regeneration of previously developed brownfield sites in the green belt by allowing them to be developed in the same way as other brownfield land, providing it contributes to Starter Homes, and subject to local consultation.

- Consultation on updating the Transparency Code to require all local authorities to record details of their land and property assets in a consistent way on the government's electronic Property Information Management System (e-PIMS).

Childcare

- Doubling the free childcare entitlement from 15 hours to 30 hours a week for working families with three and four year olds from September 2017.
- Tax-Free Childcare from early 2017, providing up to £2,000 a year per child to help working parents with their childcare costs.
- From 2017-18 an investment of £300 million to increase the average hourly rate childcare providers receive, and at least £50 million of capital funding to create additional places in nurseries.

Schools

- The Spending Review and Autumn Statement reaffirms the Government's intention to the ending local authorities' role in running schools and all schools becoming academies.
- Protection for the core schools budget in real terms, enabling the per pupil rate for the Dedicated Schools Grant to be protected in cash terms, including £390 million of additional funding given to the least fairly funded areas in 2015-16. The pupil premium will also be protected at current rates.
- Introduction of a national funding formula for schools, high needs and early years. A detailed consultation will be launched in 2016 and the new formulae will be implemented from 2017-18. There will be a transitional period to help smooth the implementation of the new formula.
- Investment of £23 billion in school buildings, 500 new free schools, 600,000 new school places, rebuild and refurbishment of over 500 schools.
- Sixth Form Colleges in England will be given the opportunity to become academies, allowing them to recover their non-business VAT costs.
- By 2019-20 government spending on apprenticeships, including income from the new apprenticeship levy, will be double the level of spending in 2010-11 in cash terms.
- The apprenticeship levy on larger employers announced in the Summer Budget will be introduced in April 2017. It will be set at a rate of 0.5% of an employer's paybill.
- The Mayor of London and the boroughs will jointly commission employment support (outside the Jobcentre Plus regime), to assist the very long-term

unemployed and those with health conditions and disabilities to (re)-enter work.

Transport

- The Roads Investment Strategy will see £15 billion of investment in the Roads Investment Strategy. This will include resurfacing over 80% of the strategic road network, and delivering over 1,300 miles of additional lanes. Future roads investment will be underpinned by a new Roads Fund paid for directly from the revenues of Vehicle Excise Duty from 2020-21.

Culture

- The government will fund capital investments in culture across the country through a total of £1.6 billion by 2020-21.
- The government will explore with the sector the case for introducing a new tax relief for museums and galleries.

Business and Enterprise

- The government is creating 26 new Enterprise Zones, including expanding 8 Zones on the current programme. These include 15 Zones in smaller towns and rural areas.

Digital Government

- The Spending Review invests £1.8 billion in digital technology and transformation projects across the public sector over the next 4 years.
- The Government Digital Service will continue to act as the digital, data and technology centre for government. To support this role the government will provide the Government Digital Service with £450 million.

Community Cohesion

- The government will maintain current levels of funding for community integration programmes. This funding will be targeted to support the recommendations of Louise Casey's review of opportunity and integration in isolated and deprived communities.

Department for Communities and Local Government

- DCLG will deliver substantial savings through better financial management, enabling the removal of budgetary contingencies that are no longer required and further efficiencies. This includes a further 20% reduction in the department's paybill, with total savings of £94 million from administration expenditure by 2019-20.
- DCLG will also work closely with the Valuation Office Agency to digitise the collection of local taxes, funded through up-front capital investment to support the move to full business rates retention.
- DCLG will provide at least £74 million of funding for the Emergency Services Mobile Communications Programme.
- DCLG will operate the £12 billion Local Growth Fund.
- DCLG will continue to oversee delivery of devolution deals agreed with city regions and other areas.

Comment

Dr Jonathan Carr-West, Chief Executive of LGiU commented:

This was not the slash and burn budget many feared. The Chancellor was keen to emphasise that public spending cuts would be at half the rate of the last Parliament and there were middle England giveaways on museums, sport and policing levels. Nonetheless, we are still looking at significant year on year reductions in public spending.

The Chancellor can use the Spending Review to try and change the size of the state, but only local government can help him change the shape of the state.

It's no good building houses unless you are also building communities. Housing needs to be linked to planning, social care, economic development and public service reform. Only local government can link these up in an effective and democratic way. That's why devolution matters.

Money for the local growth fund, the abolition of uniform business rates, the ability to spend the proceeds of asset sales and devolution deals on transport, planning and infrastructure are all good things and the Chancellor should be praised for them but they are only a first step. A ring-fenced precept for social care is hardly localist.

If we are to realise the Government's ambition for a country that spends less but to greater effect, we need fuller and faster devolution to give every part of the country complete control over public services and over public finances.

The full documents relating to the spending review and autumn statement can be viewed here.

LGiU will be briefing further on all matters relating to local government and local democracy in the coming days and weeks.

For more information about this, or any other LGiU member briefing, please contact Janet Sillett, Briefings Manager, on janet.sillett@lgiu.org.uk