

Budget 2012

21 March 2012

LGA key messages

Today's confirmation that public spending will continue to fall beyond 2015 has to be accompanied with recognition that councils have so far delivered extremely demanding cuts, which others have failed to match. For the sake of hard-pressed local residents it's time for other parts of government to face the choices councils have been making for some time.

Local authorities are seeing their Government grant cut by 28 per cent over the current funding period. In comparison, Whitehall will trim budgets by just eight per cent. It is simply unsustainable to go on cutting council funding when the adult care system is dangerously overstretched, with the budget being reduced by almost £1 billion already. More of the same into the next funding period would have a serious negative impact on many of the services residents expect councils to deliver.

Councils have a crucial role to play in stimulating economic growth that is key to cutting the deficit, reducing unemployment and increasing competitiveness.

Securing that growth depends heavily on our ability to invest in infrastructure to support economic activity in our towns, cities and rural areas.

Councils are already taking action at local level to prioritise growth and attract investment.

The budget takes a step towards putting some of the levers they need to create jobs and facilitate growth, into the hands of councils, by helping them access the funding they need to invest in infrastructure.

This briefing covers:

- Future public spending
- Tax Increment Financing
- Growing Places Fund
- City Deals
- Council tax freeze
- Local support for council tax
- Public Works Loans Board
- Right-to-buy.

Future public spending

The Chancellor confirmed the plans set out in the Autumn Statement 2011 for public spending growth in 2015/16 and 2016/17, to continue at the same rate as the Spending Review 2010 period.

LGA view

Local government has delivered the cuts it was asked to take in this Spending Review period in a disciplined manner, balancing the needs of the economy against maintaining vital local services. The spotlight must now be turned on those parts of government that have yet to deliver their allocated savings.

There is a crisis in the funding of adult social care. It is essential that this is addressed before or as part of the next Spending Review.

Before the next Spending Review, all parts of Whitehall must deliver the savings required of them. It is essential to avoid offloading further funding cuts disproportionately on to local authorities and damaging the frontline services that local people rely on.

Tax Increment Financing

The Chancellor announced that the Government will make available up to £150 million from 2013/14 for larger scale projects in core cities to be financed through Tax Increment Financing.

Further details on the competitive process to allocate these funds will be announced later in 2012.

LGA view

TIF could be a significant tool to stimulate the economic growth that the country so badly needs.

A number of local authorities and developers have given significant thought to potential TIF schemes and would be able to quickly bring forward and implement proposals for the provision of infrastructure to support growth and unlock stalled development.

It is disappointing that government have chosen to restrict the ability to use TIF in a way that will mean very few TIF schemes will be delivered.

Government have missed an important opportunity by not allowing all areas that can demonstrate a clear business case to get TIF schemes underway without unnecessary delay or bureaucracy.

Growing Places Fund

An additional £270 million will be added to the Growing Places Fund from capital underspend elsewhere. London will be included in GPF for the first time.

LGA view

It is good that government have recognised our arguments for targeting investment to local growth.

The Growing Places Fund is a good model allocating funds to local areas to invest directly in their economies, avoiding wasteful bidding processes and allowing places to prioritise projects and get investment underway earlier.

City Deals

The Chancellor announced that a City Deal has been agreed with Greater Manchester which creates an earn back principle allowing Greater Manchester to benefit from tax revenue growth and to create a skills and apprenticeship hub.

LGA view

City deals are a step forward in moving power for economic decision making from Whitehall to places. It allows decisions to be taken with a better knowledge of ground level economic reality

Councils are doing a lot already to promote growth, and are ambitious to be able to do more. This ambition extends beyond core cities to city regions and other economic sub-regions who also seek the opportunities to join up fund streams and focus them on local economic priorities.

There needs to be a move to give civic and business leaders the ability to work together to maximise economic growth in their areas.

Council Tax Freeze

The Chancellor announced that 85 per cent of councils had taken up the grant to freeze council tax.

LGA view

With cuts to local government funding set to continue until 2017, and pressure mounting in costly services areas such as adult social care, children's safeguarding and road maintenance, councils have to make tough decisions on how they prioritise spending on the 800 services they provide to residents.

That includes deciding whether or not to shield some services from budget cuts by increasing council tax revenue. These decisions must be based on local priorities and councillors know they will be judged by the people they represent when the votes are cast in local elections.

Council tax rebate for service families

The chancellor announced that the relief on council tax for service families will be raised to 100 per cent

LGA view

The LGA welcomes this additional help for service families.

The current scheme of 50 per cent relief is paid for by the Ministry of Defence and does not affect council tax receipts by councils.

We look forward to early confirmation that the extension will be dealt with in the same way.

Local Support for Council Tax set-up costs.

The Government has announced that they will give £30 million to help with set-up costs for the new system of local support for council tax which will replace council tax benefit from 1 April 2013

LGA view

Local government has said that the timetable for the introduction of the new local support for council tax schemes from April 2013 is very challenging and any help with set-up costs is welcome.

We await further announcements on the funding of scheme administration costs, in particular in view of the emerging evidence that there will not be any saving over the current costs of benefit administration.

We also await early publication of the draft regulations for local support for council tax schemes.

Public Works Loans Board

The Chancellor announced that the Government will introduce in 2012/13, a discount on loans from the Public Works Loans Board, to local authorities, that agree to provide more information on their borrowing plans.

The Government will also work with local government to consider the potential for an independent body to facilitate the provision of PWLB lending at a further reduced rate, to authorities demonstrating best quality and value for money.

LGA view

A key driver of national economic recovery is local development. We are pleased this has been recognised through the introduction of a lower borrowing rate for public bodies.

But this also illustrates why we want to explore re-establishing the municipal bond market.

Councils have just as good a credit rating as the Exchequer and we should have the option of borrowing cheaply straight from the market, rather than being tied to the rates set by the Treasury.

Right-to-buy

Right-to-buy will be reinvigorated by increasing discount cap to £75,000. Proceeds will be reinvested to deliver a replacement home for every home sold.

Councils will be able to retain the receipts provided they spend it on new affordable homes making sure that no more than 30 per cent of the cost of the new homes comes from the right-to-buy receipt.

LGA view

We are disappointed to see that such a centralised approach has been taken to implementing the new right-to-buy policy.

A centralised cap of £75,000 fails to take into account local housing demand and the cost of building new homes. Limiting councils to using only 30 per cent of right-to-buy receipts for new build means that keeping the receipts may not be possible for many councils.

Further information

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