

Autumn Statement 2013

On the day briefing

5 December 2013

The Autumn Statement provides a formal update on the state of the economy, responds to the new economic and fiscal forecast from the Office of Budgetary Responsibility and announces the Government's measures to promote economic growth.

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

Key Messages

- Five of the Chancellor's announcements show that the Government listened to the LGA and recognised the central role that local government has in economic recovery and public service reform.
- We are pleased that local government spending has been protected. This will help significantly at a time when local authorities are contending with the biggest cuts in living memory as well as leading local improvements to public services.
- Government has also listened to the LGA and councils in deciding not to include a top slice of the New Homes Bonus in the Local Growth Fund. This returns £330 million to local government and recognises the disruption that this would have caused to growth and services.
- The LGA's Rewiring Public Services report recommended five year settlements for local government. Today's announcement that local public services will get the same long-term indicative statements as central government will give councils more certainty over their future financial position.
- This Autumn Statement contains positive steps on housing including the partial lifting of the housing borrowing cap which the LGA has been seeking.
- Councils work hard to boost high streets and support small businesses and will welcome the new business rates reliefs. We understand that central government will meet the cost of these reliefs in full, protecting this important source of income for councils.
- By the end of this Parliament, local government funding will however have fallen by £20 billion: a cut of 43 per cent. The next two years will be the toughest yet for people who use and rely on the vital everyday local services that councils provide.



Briefing

This briefing covers:

- Local government finance including business rates
- Health and social care
- Growth
- Youth employment
- Housing
- Energy
- Welfare reform
- Children and young people – free school meals funding
- Planning

Local government finance

The Chancellor announced that:

- Local government will be exempt from the additional cuts to Whitehall departmental budgets of £1 billion in 2013-14 to 2015-16
- Local government will have longer term settlements on the same basis as government departments

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 alongside the additional £1 billion cuts to Whitehall departmental budgets giving more certainty over the next three years. This confirms the 2014-15 local government finance planning figures.
- The LGA's Rewiring Public Services report recommended five year settlements for local government. Today's announcement on local services budgets and the term of spending reviews gives local government more certainty over its future financial position and is a positive step in that direction.

Business rates

The Chancellor announced that:

- The business rate rise in 2014-15 will be capped at 2 per cent (it would otherwise have risen by 3.2 per cent in the line with the increase in the September 2013 Retail Prices Index)
- The temporary extension of small business rate relief which was due to expire on 31st March 2014 will be extended until 31st March 2015. There will be additional help for businesses who are expanding and would otherwise lose small business rates relief
- There will be a discount of up to £1000 against business rates bill for retail premises such as pubs, cafes, restaurants and charity shops with a rateable value of up to £50,000 in 2014-15 and 2015-16
- There will be a new temporary reoccupation relief granting a 50 per cent discount from business rates for new occupants of previously occupied retail premises for 18 months
- The Government committed to resolving 95 per cent of outstanding appeals by July 2015 and will consult in 2014 on changes to the valuation and appeal systems.
- The Government announced that they will legislate to allow businesses to pay rates over 12 months rather than 10 with effect from 2014. They will also

discuss with business options for long-term administrative reform post 2017.

LGA view

- The LGA understands from Government that local government will be fully compensated for the loss of income from the business rate measures - the Autumn Statement puts this at a total of £1.1 billion. Full details are likely to be announced in the Local Government Finance Settlement.
- The extension of the small business rates relief extension and other measures to help small businesses is good news and we note the Government's commitment to paying for this through the New Burdens Doctrine. We look forward to confirmation that this payment – and that for the extension to 2014 announced in last year's autumn statement - will be made as soon as possible.
- However, councils have yet to see the payment to cover the extension announced in last year's Autumn Statement and need strong assurances that they will receive both payments as soon as possible. Unless it is fully funded it will further undermine council finances at a time when councils need every penny for vital services
- The reduction of the appeals backlog will help local government. 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.

Capital receipts

The Chancellor announced that local authorities can bid to use receipts from sales of capital assets to fund the revenue costs of service reforms. This follows a technical consultation over the summer. The total amount of capital receipts that will be granted this flexibility is limited to £200 million across the two years 2015-16 and 2016-17.

LGA view

- The LGA agrees the policy in principle as it gives authorities struggling with substantial cuts some additional flexibility (but no extra money) to manage transformational change.
- The LGA is disappointed at the total level of flexibility, which amounts to only 20 per cent of the total amount of "assets held for sale" by local authorities. Upper limits should be determined locally and annually by prudential considerations determined by councils, rather than by an arbitrarily imposed national cap.
- The LGA is disappointed at the bid-based nature of the process. There is no "one-size-fits-all" set of criteria and councils themselves are best placed to judge the value for money of their projects.

Health and social care

The Autumn Statement announces Government's commitment to supporting local areas to transform services where doing so saves money by ensuring pooled funding is an enduring part of the framework for the health and social care system beyond 2015-16. This builds on the Better Care Fund (formerly the Integration

Transformation Fund) beyond 2015-16.

LGA view

- Any funding that helps to ensure closer integration between health and social care is valuable. This is a positive step that will provide greater certainty when planning local health and social care activity. It is also the basis for thinking about bigger shared local budgets that will help us to improve people's health and wellbeing outcomes whilst ensuring public money is effectively spent.
- The Better Care Fund has the potential to redefine how we allocate resources to maximum effect across the whole health and social care system. But unless social care funding is put on a sustainable footing, social care services will remain substantially underfunded and the good intentions of the fund will suffer as a result.
- Councils have a key role to play in integrating services to improve the quality of care and it is important that we continue to work with the health service to focus on preventative, community-based social care to help people to stay in the community for longer. Health and Wellbeing Boards must be at the heart of local decisions to ensure that the NHS and local government are working together to tackle the wider health needs of our communities.

Growth

The Chancellor announced changes to the composition of the Local Growth Fund (LGF), maintaining the commitment to keeping it at £2 billion in 2015-16 and at least that in every year of the next Parliament. £330 million of New Homes Bonus funding will be removed from the LGF and replaced with £150 million increase in Housing Revenue Account borrowing limit once in 2015-16 and once again in 2016-17; £110 million of the Regional Growth Fund; and £50 million of Large Sites funding.

In addition, nearly £800 million of borrowing at the Public Works Loans Board project rate announced in the 2012 Autumn Statement will be available to Local Enterprise Partnerships in partnership with local authorities in 2014-15 and 2015-16, to be allocated on a competitive basis alongside the Local Growth Fund as part of Growth Deals. The Government also indicated that it will determine the future composition of the LGF at the next Spending Review.

LGA view

- The commitment to increasing the resources available to councils and their LEP partners by giving them greater capacity to borrow at a concessionary rate to invest in growth-generating projects is positive.
- Nevertheless, the lion's share of government funding for local growth and regeneration remains under the control of central government departments through dozens of funding silos. Today's announcement that a portion of the Regional Growth Fund will be put into the LGF is definitely a step in the right direction.
- Whitehall needs to continue to challenge itself to go much further to pool and devolve growth-related funding so that more investment decisions are taken by local civic and business leaders who know best what their economies need to grow.

Youth employment

The Chancellor announced new incentives to encourage young people into work.

LGA view

- Youth unemployment is a critical long-term issue unlikely to be resolved by growth alone. We welcome new incentives on employers to take on under 21 year olds through reduced National Insurance Contributions and moves to fund apprenticeships directly through the tax system.
- Councils have a responsibility to provide quality opportunities for 16 and 17 year olds as part of the raising of the participation age. While £10 million investment for supporting 16 and 17 year olds into apprenticeships is welcome, it is critical Jobcentre Plus positively work with councils to effectively achieve this.
- We now urge the Heywood Review of schemes for 16 to 24 year olds fully recognise the pivotal role councils can play. All local areas are ambitious for their young people and should have the opportunities to ensure young people and employers in their area benefit from targeted and joined-up education, skills, employment and benefits support across a place.

Housing

The Chancellor announced that:

- The Government will not include the New Homes Bonus in the Local Growth Fund, except for £70 million for the London Local Enterprise Partnership. The government will also evaluate the operation of the Bonus and will consult on changes to the system to include a proposal to withhold bonus payments in cases where planning approval has been granted on appeal
- Borrowing limits for the Housing Revenue Account will be raised by £150 million per annum over 2015-16 and 2016-17. All stock owning authorities will be eligible to apply for additional borrowing capacity through a competitive process in partnership with LEPs and through local growth deals
- A review of the role of local authorities in the delivery of new housing to which the LGA will be responding
- £1 billion in loans over six years will be made available to unblock large housing developments

LGA view:

- The Government has today recognised the LGA's argument that the current approach to constraining local authority borrowing for housing investment is not fit for purpose. This establishes an important principle and the provision of an £300 million borrowing capacity over two years is a welcome first step.
- The Government has listened to the LGA and councils. The decision not to include the New Homes Bonus in the Local Growth Fund, except for £70 million for the London Local Enterprise Partnership puts £330 million back into local authority budgets. This avoids the disruptive and negative impact on growth which would have been caused by the local pooling requirement. Local authorities outside London will now be able to continue to invest the full receipts into pro-growth projects locally. The Autumn Statement does not

explain why London boroughs have been treated differently.

- The current housing crisis means that councils must be provided with the flexibilities to allow them to invest fully in new housing. The LGA looks forward to contributing to the two authoritative reviews of housing commissioned by the Government and the Opposition.

Energy

The Chancellor announced that:

- The Carbon Emissions Reduction Element (CERO) of ECO will be reduced by a third and extended to 2017. This will save an average of £30-35 on bills next year
- All other elements of ECO will be extended to 2017 but will not be reduced in scope or scale
- The warm homes discount will be funded through general taxation and there will be a £12 rebate for bill payers
- A series of incentives will be put in place to encourage homebuyers and renters to undertake energy efficiency measures to their homes
- The Green Deal Communities Fund will be increased from £20 million to £80 million

LGA view

- The energy companies' delivery of ECO, which was designed to help make homes warmer and cheaper to heat, particularly those of social tenants, is already 67 per cent behind target. Offering incentives is useful but the government needs to look more fundamentally at the delivery of the ECO and reducing red tape. Making upgrades easier and more accessible to households is the way forward.
- Councils are trusted organisations locally and should be given a much stronger role in ECO recognising their unrivalled ability to target measures to those households which need them most.
- Increased funding for local authorities through the Green Deal Communities Fund is helpful, this money now needs to reach local areas quickly so it can start making a difference. The government should delegate the cash directly to local authorities and ensure maximum flexibility to support a broad range of energy efficiency projects.

Welfare reform

The Chancellor announced that:

- Universal Credit will not be available across the UK until 2016 and that legacy cases will not be migrated over until 2016 and 2017
- The Government will increase Discretionary Housing Payments (DHP) by £40 million in both 2014-15 and 2015-16
- The government will set up a single fraud investigation service to tackle benefit fraud

LGA view

- This further postponement in Universal Credit implementation means that the

separate announcement that the Government will implement from 2014 a single, integrated fraud investigation service is in the LGA's view premature. The Department of Work and Pension's business case and evidence base for a single service is not robust and councils remain concerned that the creation of a new national organisation to tackle benefit fraud may jeopardise their efforts to tackle non-benefit fraud and retain local knowledge. The revised timetable for Universal Credit provides a sensible opportunity to research the options more fully.

- Additional funding for DHP over 2014-16 is helpful and shows that the Government has listened to the LGA's arguments that the current DHP allocation is not sufficient and does not reflect changing geographical need. We hope that there will be further consideration of the distribution of DHP going forward to better mirror need.
- In the light of the announcement today that migration of the majority of claimants into Universal Credit will now take place during 2016-17 the LGA will seek a firm commitment from DWP that they will continue to fully fund the existing Housing Benefit system for as long as councils have to keep running it.

Children and young people - Universal Free School Meals for Infants

The Government announced additional revenue funding of £450 million in 2014-15 and £635 million in 2015-16 will be provided to fund free school meals for all infant school children from September 2014 and disadvantaged college students. £150 million of capital is being made available to ensure that schools can build new kitchens or increase dining capacity where necessary. £70 million of this will be new money and around £80 million will be from unspent Department for Education maintenance budgets.

LGA view

- The benefits the free school meals initiative will bring are educational as well as nutritional. We are pleased at the confirmation that new money will be used to fund the initiative. Local government highlighted the need for new capital to allow schools to invest in their kitchen and dining facilities where necessary, so the capital announcement is also very welcome.
- It is of concern, however, to learn that the Department for Education (DfE) is sitting on unspent schools maintenance capital. We have been urging the Government to release money, currently tied up in DfE bureaucracy, to allow councils to do the urgent repairs needed to rebuild and renovate the country's most dilapidated school buildings. If there is any unspent maintenance money remaining, it should be released immediately to repair crumbling classrooms.

Planning

The Autumn Statement and the Government's infrastructure spending include announcements on planning:

- Consultation on improving Local Plan making including making them mandatory
- Deemed consent/approval where councils do not discharge a planning condition on time and a consultation on statutory requirements for local planning authorities to justify applying conditions
- Proposals on improving the statutory consultee process

- Proposals to pilot passing a share of the benefits of development directly to individual households.
- The government will consult on a new ten unit threshold for section 106 affordable housing contributions.
- The government will consult on increasing the threshold for designation under the Growth and Infrastructure Act from 30 per cent to 40 per cent.

Further information on the Government's proposals can be found in HM Treasury report: [National Infrastructure Plan 2013](#).

LGA view

- Most of the measures on local planning announced today are entirely redundant and will result in unnecessary cost and processes. Planning is not a barrier for growth - the facts speak for themselves. Councils approve 89 per cent of all planning applications and reports from house-builders this week show that planning permissions are up 31 per cent on 2012, the highest since 2008 and the number of schemes started on site are up 60 per cent on last year. This demonstrates that it has been access to finance, not the planning system that has been a barrier to house building.

Further Information:

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