

Budget 2014
On the day briefing
19 March 2014



In today's Budget the Chancellor set out the position on the economy and public finances and measures to encourage growth and promote fairness.

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

Key Messages

- The national housing shortage and lack of jobs for young people are two of the most pressing issues facing the country today. The Chancellor is right to treat these issues in this year's Budget and extra support announced for home buyers and small builders along with additional funding for apprenticeships are positive steps.
- More urgency is needed however if the Government is going to fully unlock the potential of councils to support the building of affordable housing, deliver economic growth and tackle youth unemployment. This means further lifting the Housing Borrowing Cap, providing comprehensive funding for repairing potholes and devolving tax and spending powers to English local authorities, in the same way that these powers are being given to Wales and Scotland.
- While this Budget has not brought further cuts to local government, it does not change the fact that the next two years will be the toughest yet for people who use and rely upon the services which councils provide. Amongst other issues, more funding is needed to improve our transport network and to remove any uncertainty around the support for the much needed reforms to the adult social care system.
- By next year, central government funding for councils will have been cut by 40 per cent during this parliament. As the economy improves people will increasingly start to question why councils are having to reduce and withdraw from providing the services that underpin people's daily lives.
- If we are to avoid an upturn in the economy coinciding with a decline in public services, we need nothing less than a fundamental reform of the way the public sector works and an honest reappraisal of how public services are provided and paid for in post-austerity Britain.

This briefing covers:

- Housing
- Youth employment
- Transport
- Flooding
- Landfill tax
- Welfare reform
- Pensions
- Childcare and the pupil premium
- Troubled families
- Planning

Briefing

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- City deals
- VAT refunds for combined authorities
- Wales devolution
- Gambling
- Social care

Housing

The Chancellor announced:

- The extension of the Help to Buy equity loan scheme to the end of the decade.

LGA view

- The extension of the Help to Buy equity loan scheme will help those that are struggling to access mortgage finance. Equally, reforms to the stamp duty threshold will reduce buying costs for a proportion of the market. However, we are not building enough homes. It is critical that the Government balances these measures to stimulate demand with wider efforts to increase the overall supply of housing across all tenures. Local authorities are playing their part and are saying 'yes' to development through the planning system. We now need to ensure that sites with planning permission are completed.
- The Autumn Statement provided councils with an additional £300 million borrowing capacity to build new homes over 2015-17. However, the Government has today missed a chance to go the necessary extra step to lift the Treasury borrowing cap and untie the hands of local authorities to build new affordable housing which millions on housing waiting lists desperately need. The LGA estimates that complete removal of the cap could double the amount of new homes councils could provide to families that need them.

The Chancellor announced:

- The establishment of an Urban Development Corporation (UDC) to take forward a garden city in Ebbsfleet.

LGA view

- We support the Government in its aim to build more homes. It is crucial that large scale development is led by democratically accountable councils, working together and with their LEP, not by a separate remote quango.
- Residents will be concerned that such a body, unelected and unaccountable to them could have the power to make important local decisions about planning development and transport infrastructure. Any financial benefits from the additional growth should remain in the local area to benefit local people and businesses. The UDC should be accountable to councils, with their residents, local enterprise partnerships and other partners, and not to Whitehall.

The Chancellor announced that:

- Government will consult on a 'Right to Build' which will give custom builders the right to a plot from public sector land and a £150 million repayable fund to help provide up to 10,000 serviced plots for custom build.

LGA view

- Councils strongly support self-build and are helping custom builders to get plots and build their own homes. This includes the provision of public sector land where it is locally appropriate and planned for development. It is completely unclear how the government can promise self-builders a right to a plot of land though. We will be seeking further information from government on this proposal, which needs further elaboration before it is clear it is workable.

The Chancellor announced:

- A £500 million Builders' Finance Fund, which will provide loans to developers to unlock 15,000 housing units stalled due to difficulty in accessing finance.

LGA view

- This will support the positive efforts of local authorities to unlock stalled sites at the local level. Local authorities are key partners in the successful delivery of sites and should be engaged fully through this process.

More details on the housing measures can be found in the Budget Report page 39, paragraphs 1.140 to 1.145

The Chancellor announced that:

- The Government Property Unit's Strategic Land and Property Review has identified scope to generate £5 billion of receipts from government land and property. By the Autumn Statement 2014 the government will look to quantify its housing and growth ambitions for this new surplus land programme.

LGA view

- For all authorities, using public land effectively can increase the viability of development and attract private investment in housing. Councils are already making strides to release land for housing development and it is helpful that the government is increasing efforts relating to its own landholdings. Central government departments and agencies should work closely with councils to pool land assets and where necessary transfer assets to councils in order to allow simpler decision making so that development can be brought forward more quickly.

More details can be found in the Budget Report page 25, paragraph 1.74

Youth employment

The Chancellor confirmed that:

- The Apprenticeship Grants for Employers (AGE) scheme will be extended, providing £85 million in both 2014-15 and 2015-16 for over 100,000 grants to employers, and £20 million for post-graduate apprenticeships.

LGA view

- Extending subsidies to create youth apprenticeships is welcome as the number of teenagers in apprenticeships has fallen in the last few years. Local authorities could add value if involved in targeting subsidies, as they best understand the local economy and have statutory duties to support 16 to 18 year olds into learning. Overall, although we welcome the measure, it will not resolve the structural issue facing young people, which require ambitious

reform bringing skills and employment services together around local labour markets. Despite small falls in youth unemployment, our new research shows 2.5 million young people are either not working, want more hours, or are not working to their potential, and growth is only likely to reduce this to 2.12 million by 2018.

More detail in the Budget Report, page 38, paragraph 1.129

Transport

The Chancellor announced:

- £200 million across the UK to set up a pot holes challenge fund.

LGA view

- We are pleased that Government has responded to our calls for extra funding to tackle pot holes. However we are facing a 42 per cent increase in traffic on local roads by 2040 and there is a £10.5 billion backlog of road repairs. The situation is getting worse every year because of a £500 million annual funding shortfall. While we welcome more money to tackle potholes, this does not go anywhere near far enough. Potholes are a danger to road users in all parts of the country. We therefore urge government to provide a full and comprehensive funding package to repair the nation's roads.

More detail can be found in the Budget Report, page 39, paragraph 1.134

Flooding

The Chancellor announced:

- £140 million additional funding to repair and restore the condition of flood defences that have suffered damage.

LGA view

- The Government has responded to LGA calls for additional investment in desperately needed flood defences to help communities recover from damage caused by recent floods and coastal storms. The total costs of repairing the damage from floods will take some time to establish and it will be important to ensure sufficient funding to cover the final bill of repairs to flood defences, roads and infrastructure.

More detail can be found in the Budget Report page 38, paragraph 1.133

Landfill tax

The Chancellor announced that:

- The landfill tax for 2015-16 will be effectively frozen for one year with only an increase in inflation from the 2014-15 rate. A consultation will be held later in 2014 to determine eligibility and the standard and lower rates from 2016-17 onwards.

LGA view

- The LGA has long called for a freeze in landfill tax and supports the

announcement for 2015. This will save householders nearly £60 million that they would have paid had the rate not been frozen, which rewards their and councils' efforts to reduce landfill by nearly 40 per cent over the last five years.

More details can be found in the Budget Report page 78, paragraph 2.170

Welfare reform

The Chancellor announced:

- A welfare spending cap for the years 2015-16 to 2018-19 at the level of the Office for Budget Responsibility's forecast. The level of the cap is set at £119.5 billion for 2015-16. A forecast margin of 2 per cent above this level will ensure that action is not triggered by small fluctuations in the forecast. The cap will apply to all welfare spending in Annually Managed Expenditure, with the exception of the state pension and the automatic stabilisers.

LGA view

- The overall cap on welfare spending will inevitably necessitate tighter discipline on housing costs. The Government acknowledges that the reductions to Housing Benefit that have already been introduced under the welfare reforms to date have not driven down rents. Bringing down spending on benefits through a welfare cap will only be truly effective when government also frees councils to build more social housing.
- The work that councils and local partners are doing to develop and deliver the support offer to Universal Credit claimants will also be vital. The announcement of the additional help with the costs of childcare for Universal Credit claimants is very welcome. We would urge the Government to do more to allow councils and their partners to develop skills and routes into sustainable employment.

More detail can be found in the Budget Report page 26, paragraph 1.76

Pensions

The Chancellor announced:

- Greater flexibility for defined contribution pension savers when deciding how to take their accumulated pension pot from March 27th.
- Legislation to simplify or remove the remaining restrictions on taking pensions as lump sums rather than annuity by April 2015.
- A consultation on the impact of these measures on defined benefit schemes (with a closing date of 11th June 2014).
- Legislation to remove the right to transfer benefits from defined benefit public service schemes to private sector defined contribution schemes by April 2015.

LGA view

- Although at first glance the Local Government Pension Scheme and Teachers Pension Scheme appears to be ring fenced from these changes the LGA will consider how best to respond to the consultation in order to ensure both schemes provide for secure pensions in retirement and the effective long term investment of LGPS assets.

More detail can be found in the Budget Report page 44 paragraphs 1.161 to 163 and in the document published alongside the Budget entitled Freedom and Choice in Pensions.

Childcare and the pupil premium

The Chancellor confirmed that:

- From September 2015 for households where both parents work will benefit from an extension to the tax free childcare scheme worth up to £2,000 (up from £1,200) for children up to age 12 (brought forward from 2020).

LGA view

- Childcare costs can still be far too high for many, with significant numbers of parents receiving no support if they choose to return to work. Any support to help make these costs more affordable is welcome. All eligible parents with children under 12 - and disabled children under the age of 17 - will be able to receive support within the first year of the scheme's operation and we welcome the extended definition of parents treated as being in work, for example, to cover those on unpaid statutory maternity, paternity and adoption leave and those in receipt of 'credits only' Employment and Support Allowance.

The Chancellor announced:

- £50 million in 2015 to 2016 to extend the pupil premium to disadvantaged 3 and 4 year olds.

LGA view

- We welcome the £50 million in 2015 to 2016 to extend the pupil premium to disadvantaged 3 and 4 year olds and we are keen to work with the Government who will be consulting shortly on the details of how it will work. There is currently funding to help disadvantaged primary and secondary school pupils, and extending to the early years should help prepare children for school and encourage providers to increase childcare provision. Councils want to make sure that young children get a good early education and secure high quality affordable childcare to support mums and dads to return to work.
- We also welcome the additional support for working parents on the lowest incomes through Universal Credit. The amount of childcare costs working parents on tax credits or Universal Credit are eligible to receive will increase from 70 per cent to 85 per cent.

Troubled Families

The Chancellor announced that:

- Up to 40,000 more families could get support in 2014-15, a year earlier than planned, through the Troubled Families programme.

LGA view

- The announcement of an acceleration of the Troubled Families programme is a vote of confidence in councils' abilities to bring together the work of the

whole public sector in their area. Councils have already helped tens of thousands of those families who need it most and today's announcement is a welcome endorsement of the community budget approach to public service delivery. We will work with Government to ensure bureaucracy is kept to a minimum and councils play a leading role in determining how this additional support to families is implemented.

More detail can be found in the Budget Report page 25, paragraph 1.75

Planning

The Chancellor announced that:

- Government will review the General Permitted Development Order. The refreshed approach is based on a three-tier system to decide the appropriate level of permission, using permitted development rights for small-scale changes, prior approval rights for development requiring consideration of specific issues, and planning permission for the largest scale development.

LGA view

- Blanket national policies on permitted development are unnecessary and fail to take account of significant local differences and will have unintended consequences for communities. Councils already approve the vast majority of applications for change of use after ensuring that material planning issues (such as the impact on local economies, transport and the character of local areas) are considered and dealt with.

More detail can be found in the Budget Report page 85, paragraph 1.147

The Chancellor announced that:

- The Government will launch a new Planning Court on 6 April 2014 to fast-track disputes, including construction projects.

LGA view

- There are a large number of applications for judicial review of planning decisions. The current system is slow in determining such challenges which can sometimes drag on for years. This causes delays to crucial infrastructure projects, and uncertainty for all parties.
- We therefore support the proposals to speed up the system for dealing with such challenges. Government should also proceed with proposals to introduce a tighter test to reduce the number of judicial reviews whilst protecting the rights of those with a genuine interest and justified case to be heard.

More detail can be found in the Budget Report page 86, paragraph 2.251

City Deals

The government announced:

- A commitment of £100 million to a City Deal for Greater Cambridge aimed at unlocking £1 billion of additional funding for infrastructure to support local growth. Under the terms of the deal a payment by results mechanism called

Gain Share will enable a larger proportion of the proceeds of economic growth generated in, and around, the city of Cambridge to be retained by the local area. Following the announcement in the Autumn Statement 2013, discussions are also continuing about a City Deal for Glasgow, the first outside of England.

LGA view

- The announcement of the Greater Cambridge City Deal reflects the Government's increasing recognition that local areas are best placed to drive economic growth. It is particularly encouraging that the Gain Share element of the Cambridge Deal will ensure that a greater the proceeds of growth can be retained locally to drive further economic development.
- The Growth Deal negotiations that are about to kick off with every Local Enterprise Partnership (LEP) present an opportunity for Government to accelerate the pace and scale of devolution. Whitehall needs 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.

More detail can be found in the Budget Report page 41, paragraphs 1.150 and 1.151

VAT refunds for combined authorities

The Chancellor announced:

- Legislation to include combined authorities under Section 33 VAT Refund Scheme.

LGA view

- This is a measure which councils and the LGA have been calling for.

More detail can be found in the Budget Report page 79, paragraph 2.179

Wales devolution

The government announced that:

- It will shortly take forward a Wales Bill that will devolve new tax and borrowing powers to Wales, enabling the Welsh government to raise more of the money it spends and providing it with further tools to support growth in the Welsh economy. In advance of implementing these new powers, the government has also agreed that the Welsh government can use existing borrowing powers to begin investing in improvements to the M4.

LGA view

- In taking steps to devolve more powers to Wales, the Government has clearly recognised the economic, administrative and cultural benefits of shifting power out of Whitehall and handing it to local communities. This is a policy which should not stop at the borders but spread out across the UK.
- This has huge implications for English communities on the borders of Wales, which now face the prospect of an unfair, two-speed tax regime and an uphill battle to retain and attract businesses and jobs. English sub-regional

economies are in danger of becoming the poor cousins in the union as devolution hands Scotland and Wales an unfair competitive advantage.

- Many places in England have distinct economic and cultural identities as strong as those in Wales and a shift in power away from Whitehall would help them deliver more jobs, faster economic growth and better public services

More detail can be found in the Budget Report page 40, paragraph 1.149

Gambling

The Chancellor announced:

- A new higher rate at 25 per cent for fixed odds betting terminals to bring their duty into line with other gaming machines on the High Street.

LGA view

- Current levels of Fixed Odds Betting Terminals harm our communities and exploit those who can ill-afford to lose thousands of pounds on these machines. The betting industry receives more than £1, 340 million at a time when they are already taxed at 20 per cent. An increase in duty to 25 per cent is therefore little incentive to reduce numbers of these machines or more effectively help those who are at risk of becoming addicted. However, regardless of the success of the measure, the money raised by the Treasury through this tax should be given to local councils to fund the public services that support the vulnerable members of society.
- A more effective approach would be to reduce the stakes and prizes in line with those offered by every other type of gambling machine, but even this approach fails to tackle the major problem associated with betting shops – the clustering of shops which drains the diversity and life from our high streets. Government should grant councils powers to manage this clustering, in line with proposals put forward by the LGA and key betting shop chains.

More detail can be found in the Budget Report page 50, paragraph 1.190

Social care

The Chancellor did not make any announcements on the costs of the Care Bill.

LGA view

- We are disappointed that there is no mention of funding for adult social care and support, despite growing concerns around the adequacy of funding for the Care Bill reforms and the system itself. This point came up time and again from across the sector during the Care Bill's passage through Parliament and we are concerned that inadequate funding will jeopardise the Bill's good intentions. We broadly support the reforms to care and support but they need to be fully costed and funded as new burdens. This is particularly important given the links between social care and the future sustainability of local government funding as a whole.

Further Information: for further information on this briefing paper please contact Lee Bruce, Public Affairs and Campaigns Adviser, on either 020 7664 3097 or lee.bruce@local.gov.uk