Briefing Paper

Autumn Statement 2013 and Local Government

December 2013

Introduction

George Osborne MP, the Chancellor of the Exchequer, made his autumn statement on 5th December 2013. He said that the United Kingdom is growing faster than any other major economy, but the job of recovery was 'not yet done'. He predicted that the United Kingdom government would be 'back in the black' by 2018/19 but said that money was still tight.

The Autumn Statement is a half-yearly update on the Budget, allowing the Chancellor to give MPs a guide to his tax and spending plans. These plans are based on the economic projections provided by the Office for Budget Responsibility - a body set up in 2010 to provide independent economic forecasts.

If George Osborne were to remain chancellor after the election, the austerity would roll on and there would be a significant reduction in what many would see as the state.

Macro-Economic Position

Growth forecasts have been revised up, with the Office for Budgetary Responsibility now expecting growth this year to be 1.4%, more than double the 0.6% it predicted in March. Next year, economic growth is expected to reach 2.4% (up from 1.8%) and expectations have been revised up for each of the following four years, peaking at 2.7% in both 2017 and 2018.

The Office for Budgetary Responsibility said the United Kingdom economy had picked up more strongly than expected this year thanks largely to an increase in private consumption and housing investment, although it added that business investment and net trade 'have continued to disappoint' and that this year's rate of recovery was unlikely to be sustained next year. The Office for Budgetary Responsibility said:

"While consumer confidence, credit conditions and the housing market have improved, productivity and real earnings growth have remained weak… Ultimately, productivity-driven growth in real earnings is necessary to sustain the recovery. So we expect quarterly Gross Domestic Product growth to slow into 2014, and then to strengthen gradually as productivity picks up. The outlook for productivity growth is the key uncertainty confronting all United Kingdom forecasters.'

The United Kingdom public finances will be in surplus by 2018/19, Chancellor George Osborne said. According to the Autumn Statement, underlying public sector net borrowing that excludes the impact of the Royal Mail pension scheme and the Asset Purchase Facility transfer – is set to fall to 6.8% of gross domestic product this year, down from the 7.5% forecast by the Office for Budgetary Responsibility in March. It is then predicted to fall to 5.6% next year and go on declining, reaching 1.2% in 2017/18. By 2018/19 on this measure, the Office for Budgetary Responsibility does not expect a deficit at all, instead, they expect Britain to run a small surplus.

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George Osborne said:

“These numbers mean that the government will meet its fiscal mandate to bring the structural current budget into balance, and meet it one year early.”

In cash terms, borrowing is set to fall from £111billion this year – £9billion less than March forecasts – to £23billion in 2017/18 and for the public finances to show a small cash surplus in the following year. But the chancellor stressed that this surplus would only be achieved if the government stuck to its austerity plans.

Debt is set to start falling in 2016/17, one year earlier than forecast, although the Chancellor noted that this was a cyclical improvement and the fall in the structural deficit has not improved.

BBC Business Editor Robert Peston said the small budget surplus predicted for 2018/19 depended on the government slashing public spending as a proportion of GDP to levels last seen in 1948, which he said was a ‘remarkable change’.

Other economists have warned that the ‘recovery’ appears to be based on an increase in consumer spending funded by borrowing and that this may not be sustainable.

Key Announcements

In the current financial year, central government departments are projected to underspend by £7billion, which the chancellor said allowed departmental budgets in both 2014/15 and 2015/16 to be reduced by £1billion.

The Chancellor also pledged to exempt councils from a further £1billion budget cut being placed on some Whitehall departments next year, so town halls will be able to freeze the council tax for a fourth year from April.

As well as councils, George Osborne said the ring-fenced areas of government spending in schools and hospitals would remain protected, while the security and intelligence agencies and Revenue & Customs would also be exempt.

It was announced that the pension age would ‘keep track with life expectancy’ to save future taxpayers £500billion. The date when the state pension age rises to 68 will be brought forward to the mid-2030s - it had not been due to increase until 2046 - and the age could rise to 69 by the late 2040s. It means people now in their forties will not get the state pension until they are 68, while those in their thirties will have to wait until they are 69.

Other key announcements included:

- Economy to grow 1.4% this year - double the 0.6% predicted in March, with 2.4% growth next year instead of 1.8%
- An extra £1billion of cuts from the budgets of government departments for each of the next three years
- Car tax discs to be scrapped and replaced by an electronic vehicle excise duty system
- Next year's planned 2p a litre fuel tax rise will not be implemented
- Borrowing falls more than forecast and employment forecasts are revised up
- Employer National Insurance contributions for under-21s earning less than £42,285 discontinued from April 2015
- Tax breaks to encourage ‘fracking’ for gas
- A cap on total government welfare spending will start in 2015
- An extra £150million to update and build kitchens and dining rooms in English primary schools

- A move towards subsidising offshore wind farms instead of onshore wind farms
- Plans for £375billion of investment in energy, transport, communications, and water projects
- Selling off the government's 40% stake in the Eurostar rail service

Announcements of particular relevance to local government included:
- Local authority borrowing caps will be increased by £150million in 2015/16 and a further £150million in 2016/17. The government intend that this will support the development of 10,000 new affordable homes. This additional borrowing capacity will form part of the local growth fund, allowing local authorities who have an agreement with their Local Enterprise Partnership to bid for it. Bids will be prioritised on the basis of value for money and, to minimise the amount of funding needed, the government will expect bidders to contribute public sector land and to sell high-value vacant stock.
- Increased funding for Discretionary Housing Payments by £40million to £160million in 2014/15 and 2015/16
- Recognised the role of Local Enterprise Partnerships in enabling the development of new homes, through the changes to local authority borrowing caps and plans to unlock stalled development sites.

The chancellor used his speech to cap business rate increases in England to 2% next year, rather than the rate of inflation, in an effort to boost firms and High Streets; and he announced a £1,000 discount in business rates for small shops and pubs, for the next two years, and halved rates for new occupants of vacant shops.

He announced that the government would review its fiscal framework, as set out in the Charter for Budget Responsibility, presenting an updated charter alongside next year's Autumn Statement. This review will consider whether fiscal credibility can be further enhanced by a stronger Parliamentary commitment to the path of consolidation in 2016/17 and 2017/18.

The government also announced a review of the role of local authorities in the delivery of new housing. The Local Government Association commented that:

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

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

The Local Government Association said that:

"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 £1billion cuts to Whitehall departmental budgets giving more certainty over the next three years. This confirms the 2014/15 local government finance planning figures. The Local Government Association'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."

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.

The Local Government Association commented that:

"The Local Government Association 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 Local Government Association 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 Local Government Association 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."

On 5th December 2013, Eric Pickles MP, Secretary of State for Communities & Local Government, wrote to council leaders as follows:

"Today the Chancellor announced the details of the Coalition Government's Autumn Statement. I just wanted to take the opportunity to highlight some of the announcements which relate to local government funding and finance.

"Local government funding

"While the Chancellor has announced new, further departmental savings for departments, local government has been protected. The Chancellor has said this is to encourage councils to take up the Council Tax freeze offer which is again available to local authorities in the coming financial year.

"We have also listened and carefully considered the responses to the recent consultation on allocating an element of the New Homes Bonus to Local Enterprise Partnerships. In light of the powerful arguments made by colleagues in local government, we will not be making changes to the New Homes Bonus for councils outside London (in London, there is a stronger case for pooling given the Greater London Authority's role in planning). The £2 billion Local Growth Fund will be made up from other decentralised budgets.

"Following a consultation, we have today confirmed there will be a new a national Council Tax discount of 50% for family annexes from April 2014. This will support extended families living together, for example with children saving for a new home or elderly parents (who would not otherwise qualify for the existing exemptions). It will be fully funded by central government.

“Cutting business rates and helping local shops

“To continue to prioritise local growth we have announced a £1.1billion package to reduce the burden of business rates on businesses. This includes:

- *The 3.2% RPI increase for 2014/15 will be reduced to 2%.*
- *There will be a £1,000 discount for all retail, pubs, cafes (excluding banks and betting offices) with rateable values below £50,000 for 2 years.*
- *The doubling of Small Business Rate Relief will continue for a further year.*
- *Ratepayers will continue to keep their Small Business Rate Relief entitlement for a year where they take on a second property*
- *New occupiers of former retail premises which have been unoccupied for a year will receive a 50% discount for 18 months.*
- *There will be a consultation on reforms to the business rates appeals process and a commitment to clear 95% of the September 2013 backlog of appeals before July 2015.*

“Local authorities will be fully refunded for the loss in revenue resulting from these changes. This is part of a wider package of practical measures to help local high streets which will be published tomorrow (Friday 6 December).

“Increasing funding for housing

“We have announced a number of new measures to support house building. This includes a £1 billion, 6-year investment programme to fund infrastructure to unlock new locally-led, large housing sites. This will support the delivery of around 250,000 houses. We are doing more to support Right to Buy: introducing agents to help buyers complete their purchase, and a £100 million fund to improve applicants’ access to mortgage finance. We also intend to consult on a Right to Move for social tenants wanting to take up work or training in another area.

“Reforming the Housing Revenue Account was a key Coalition Agreement pledge. We have already decentralised housing finance, but we appreciate there is further scope for greater flexibility. We have announced a review into the role of local authorities in supporting overall housing supply. Accompanying this, the government has announced a limited increase in Housing Revenue Account borrowing. The additional £300 million will be allocated via a competitive bidding process with support given to councils who can produce good business cases, agreed by their local enterprise partnership, that bring in local authority owned land and other forms of cross subsidy such as sales of high value vacant property, raising funds to provide more overall homes.

“Delivering savings from cutting fraud

“Alongside the roll out of the Single Fraud Investigation Service, DCLG and DWP are investing in local government's capacity to tackle non-welfare fraud. This package of support will include extra funding over 2014-15 and 2015-16 which will be able to support new fraud investigator posts in councils focussed on tackling corporate fraud.

“Transforming local services

“To incentivise asset sales and support investment in transforming local services, the government will allow local authorities new flexibility to use £200 million of receipts from asset sales over 2015-16 and 2016-17 to pay for the one-off costs of service reforms. We will publish a prospectus inviting bids to access a share of this flexibility in the New Year.

“Support for health and social care

“At the Spending Round, we took a major step forward in bringing together health and social care services around vulnerable people, with the new pooled Better Care fund of £3.8 billion. You are already working with your colleagues in health to develop your plans. In response to your concerns about the fund being for only one year, the Statement spells out the government’s intention to make sure pooled funding is an enduring part of the health and social care system beyond 2015-16. We will also work to give local public services the same long-term indicative budgets as departments, to allow more up-front investment and local deals.

“I hope these proposals will provide stability for local government, help drive further service improvement and support hard-working people and local firms in your locality.”

Pensions

It was announced that, from next April, the basic state pension would rise by £2.95 a week, leaving pensioners over £800 a year better off.

Planned rises in the state pension age are to be brought forward. The rise to 68 is to be shifted from 2046 to the mid-2030s and the rise to 69 to the late 2040s. The move is projected to save £500billion over the next 50 years. George Osborne stated that:

“The exact dates will be set by the future statutory reviews and in line with the most up-to-date demographic data, of which the next update is published next week… This is one of those difficult decisions governments have to take if they’re serious about controlling the public finances… Young people will know our country can afford to give them a proper pension when they retire.”

Mr Osborne's announcement on the state pension age sparked anger among trade unions and campaign groups, with the TUC saying:

“Today's young workers are being told they must work until they drop".

Unison general secretary Dave Prentis called the hike in the state pension age 'cruel and unnecessary' and said:

“It may be ok for the better off to work until they are 70 because they will have some years to enjoy their retirement. But for millions, they will never see their pension because they will die before that age. Does anyone seriously expect a 70-year old paramedic or nurse attending them in a medical emergency? And should we expect people who sweep our streets, clean our hospitals and schools to carry on doing those jobs?'”

Plaid Cymru's leader at Westminster Elfyn Llwyd said it was ‘seriously unfair’ because life expectancy in some parts of the country was 75.

Public Assets

The Treasury has doubled its target for receipts from the government’s privatisation programme to £20billion by 2020, with the taxpayer stake in Eurostar among the assets now likely to be sold.

Updating the National Infrastructure Plan as part of the Autumn Statement, Chief Secretary to the Treasury Danny Alexander indicted that many state-owned assets would be better managed in the private sector.

Earlier this year, the government privatised the Royal Mail and sold the first tranche of shares from the taxpayer stake in Lloyds Banking Group. In total, the coalition had raised more than £11billion in asset sales since May 2010.

Alongside the sale of the government's 40% stake in the Eurostar cross-channel train operator, ministers now plan to raise around £12billion from the sale of part of the student loan book by 2020. The National Infrastructure Plan also stated that it would also at options to bring private capital into the Green Investment Bank.

Further privatisations will be examined as part of an informal government consultation to identify the areas where private sector participation in public services should be considered.

Danny Alexander also announced that insurance firms have committed to invest £25billion in capital projects across the United Kingdom over the next five years, covering energy, transport, flood defence, waste, water and communications infrastructure. Six major insurers – Prudential, Aviva, Legal & General, Standard Life, Friends Life and Scottish Widows – made the commitment following negotiations with the Treasury and the Association of British Insurers. Danny Alexander said the investment pot was:

"A massive vote of confidence in the United Kingdom economy… It supports the wider £100billion public investment to rebuild Britain over the next seven years that I announced at the Spending Round [in June]. This is great news for the people of the United Kingdom because, after years of neglect, the United Kingdom's energy, road, rail, flood defence, communications and water infrastructure needs renewal. It will boost the United Kingdom economy, creating jobs and making it easier to do business. It will also make the United Kingdom a better place to live for everyone who calls it their home."

The revised National Infrastructure Plan contains 646 projects worth a total of £375billion that are to be delivered by both the public and private sector. The document confirmed government backing for the Greater London Authority's plan to borrow £1billion to extend the London Underground Northern Line to Battersea and Nine Elms.

It is to be hoped that when there are further sales of public assets they will be sold at realistic prices and that value for money will be secured for the taxpayer.

Business Rates

The government confirmed they would limit the increase in business rates – which are partly devolved to local authorities – to 2% next year, ahead of a full review of the system in 2017.

The Chancellor announced that:

- The business rate rise in 2014-15 will be capped at 2% (it would otherwise have risen by 3.2% 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.

The Local Government Association commented that:

"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."

The Local Government Association urged the government to pay for the decision to cap business rates from the centrally-retained half of the tax and not pass the impact on to councils.

Treasury figures show that the decision to cap the annual increase in rates at 2% for 2014/15 – rather than the 3.2% expected – would cost £270million. Other business rate exemptions announced in the autumn statement, such as the extension of the relief programme for small business and a £1,000 discount for small shops, pubs and restaurants, cost £860million in total next year.

Sharon Taylor, the Local Government Association's finance panel chair, warned that passing these costs onto councils when the local government finance settlement was announced later this month would create more 'financial instability' in the sector.

Rob Whiteman, the Chief Executive of the Chartered Institute of Public Finance & Accountancy, also said the government 'must explain' who is paying for the business rate reliefs. 'We need clarity from the Government on who pays for this. Will it be local authorities whose services are already under enormous pressure and who already face on-going cuts to funding?'

Local Government Secretary Eric Pickles later confirmed that the government will meet the costs of the business rate reliefs set out in the Autumn Statement. The capping of the annual uprating of business rates at 2% from next April, below the 3.2% increase expected based on inflation figures; the rate exemptions – such as extension of the relief programme for small business and a £1,000 discount for small shops, pubs and restaurants will cost more than £1billion next year.

Following the chancellor's statement, both the Local Government Association and the Chartered Institute of Public Finance & Accountancy called on ministers to confirm the Treasury would meet these costs, rather than passing them onto councils who retain half of rates growth. Writing to council leaders, Eric Pickles said the package was intended to boost local growth and added:

"Local authorities will be fully refunded for the loss in revenue resulting from these changes."

Responding to the letter, Chartered Institute of Public Finance & Accountancy Chief Executive Rob Whiteman told 'Public Finance' that limiting rate increases would support economic growth locally and added:

"The reassurance from the government that the costs of this policy will not be passed on to local authorities is great news and will ensure that councils across the country have more certainty around funding as they continue to serve their communities."

New Homes Bonus

The New Homes Bonus is a Whitehall grant awarded to councils for increasing the number of homes in their areas. It is based on the amount of extra council tax revenue raised from new-build homes, conversions and long-term empty homes brought back into use.

The Government will not include the New Homes Bonus in the Local Growth Fund, except for £70million 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.

The Autumn Statement revealed that controversial plans to top-slice £400million of the New Homes Bonus for the single pot would not now be imposed. Local Government Association chair Sir Merrick Cockell said:

"Our concerns about potentially costly changes to the New Homes Bonus have been taken on board in the revised proposals announced today. This is good news for local services which otherwise would have taken an additional £400million cut".

However, the government announced that not only would the New Homes Bonus for London be cut by £70million from 2015, it would remain in the hands of the London Local Enterprise Panel that is chaired by the Mayor of London. This is in contrast to the rest of the country where New Homes Bonus funds were protected, and plans to top-slice the money given to councils were dropped.

London Councils criticised the £70million cut to the capital's New Homes Bonus allocation and called for the move to be overturned. Their Chair Jules Pipe told 'Public Finance' that:

"All Londoners should be outraged by this move. If the New Homes Bonus is essential for councils in Leeds and Manchester to fund the pressures of growth, why should Londoners be any different? This must be reversed. The very fact that it has been proposed raises fundamental questions about the governance of the growth agenda in London and the government's commitment to it."

The Local Government Association commented that:

"The Government has listened to the Local Government Association and councils. The decision not to include the New Homes Bonus in the Local Growth Fund, except for £70million 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."

Responding to the comments, housing minister Kris Hopkins said:

"The Greater London Authority has a statutory role in both housing, planning and regeneration in London. It makes sense that councils and the Greater London Authority are joined up, and both share in the incentives to support more new housing in the capital."

In his letter to council chiefs, Eric Pickles said that the decision to halt the planned £400million top-slice of the New Homes Bonus to part-fund the proposed Single Local Growth Fund had come as a result of concerns raised by the authorities. County councils had warned decisions could reduce investment in local infrastructure projects intended to boost growth, and Eric Pickles said:

"We have listened and carefully considered the responses to the recent consultation on allocating an element of the New Homes Bonus to local enterprise partnerships.In light of the powerful arguments made by colleagues in local government, we will not be making changes to the New Homes Bonus for councils outside London – in London, there is a stronger case for pooling given the Greater London Authority's role in planning."

The total £2billion Local Growth Fund that will devolve funding to Local Enterprise Partnerships, will be made up from other decentralised budgets. County councils said the decision to halt pooling had addressed their concerns. County Councils Chair David Hodge told 'Public Finance' that:

"The evidence showed that such a move could lead to a counter-productive 'no homes bonus'… We consider this a pragmatic and far-sighted decision. This will allow County Council Network members to concentrate on promoting growth and ensuring the provision of services that make new communities sustainable."

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.

The Local Government Association commented that:

"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."

Local Growth Fund

The Chancellor announced changes to the composition of the Local Growth Fund, maintaining the commitment to keeping it at £2billion 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 Local Growth Fund and replaced with £150million increase in Housing Revenue Account borrowing limit once in 2015/16 and once again in 2016/17; £110million of the Regional Growth Fund; and £50million of Large Sites funding.

In addition, nearly £800million 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 Local Growth Fund at the next Spending Review.

The Local Government Association commented that:

"The commitment to increasing the resources available to councils and their Local Enterprise Partnership 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 Local Growth Fund 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. The Local Government Association commented that:

"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."

Universal Free School Meals for Infants

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

The Local Government Association commented that:

"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 is sitting on unspent schools maintenance capital. We have been urging the Government to release money, currently tied up in Department for Education 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% to 40%

The Local Government Association commented that:

"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% of all planning applications and reports from house-builders this week show that planning permissions are up 31% on 2012, the highest since 2008 and the number of schemes started on site are up 60% on last year. This demonstrates that is has been access to finance, not the planning system that has been a barrier to house building."

Reactions in Local Government

The Local Government Association was pleased that local government spending was protected in the Statement. 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. The Government also listened to the Local Government Association and councils in deciding not to include a top slice of the New Homes Bonus in the Local Growth Fund. This returns £330million to local government and recognises the disruption that this would have caused to economic growth and services. Responding to calls from the Local Government Association's Rewiring Public Services campaign for five year financial settlements for local government, the Chancellor announced that local public services will get the same long-term indicative statements as central government that will give councils more certainty over their future financial position.

However, by the end of this Parliament, local government funding will have fallen by £20billion, a cut of 43%. The next two years will be the toughest yet for people who use and rely on the vital everyday local services that councils provide.

The Local Government Association commented:

"Five of the Chancellor's announcements show that the Government listened to the Local Government Association 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 Local Government Association and councils in deciding not to include a top slice of the New Homes Bonus in the Local Growth Fund. This returns £330million to local government and recognises the disruption that this would have caused to growth and services.

"The Local Government Association'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 Local Government Association 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 £20billion: a cut of 43%. The next two years will be the toughest yet for people who use and rely on the vital everyday local services that councils provide."

Adrian Waite
December 2013

About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about us and our services please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk

Services that we offer include:

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