Local Government Association
Autumn Budget 2017 – On the Day Briefing
22 November 2017

Local Government Association

Briefing

Introduction

The Budget provides a formal update on the state of the economy, responds to the new economic and fiscal forecast from the Office for Budget Responsibility and announces the Government's fiscal measures.

The full set of documents is available on the HM Treasury website.

The LGA has circulated a number of media statements responding to today's announcement:

LGA Autumn Budget 2017 media statement

LGA housing media statement

LGA children's services media statement

LGA NHS funding media statement

LGA greener transport media statement

LGA universal credit media statement

LGA devolution media statement

LGA Cultural Development Fund media statement

KEY MESSAGES

- It is hugely disappointing that the Budget offered nothing to ease the financial crisis facing local services. Funding gaps and rising demand for our adult social care and children's services are threatening the vital services which care for our elderly and disabled, protect children and support families. This is also having a huge knock-on effect on other services our communities rely on. Almost 60p in every £1 that people pay in council tax could have to be spent caring for children and adults by 2020, leaving increasingly little to fund other services, like cleaning streets, running leisure centres and libraries, and fixing potholes.

- The Chancellor has recognised the financial challenges facing the NHS. However, the best way to reduce pressures on the NHS is to tackle the chronic underfunding of care and support services, and to prevent people presenting at A&E in the first place. We therefore call on the Government to ensure that spending plans for the new funding are agreed with local government.

Melanie Haslam, Public Affairs and Communications Adviser
Email: melanie.haslam@local.gov.uk
Tel 020 7664 3087 www.local.gov.uk

- Our national housing shortage is one of the most pressing issues we face. The last time this country built more than 250,000 homes a year - in the 1970s - councils built more than 40 per cent of them. If we are to get back to building 300,000 homes a year, then the Government needs to ensure councils in all areas of the country are given greater freedom to borrow to build new homes. Today's Budget has taken a step towards that by lifting the housing borrowing cap for some councils. This is an important recognition of our argument about the vital role that councils must play to provide housing for people and solve our housing crisis, but this does not go far enough.

- The money local government has to deliver services is running out fast and councils face an overall £5.8 billion funding gap in just two years. We remain clear that local government, as a whole, must be able to keep every penny of business rates collected to plug funding gaps while a review of the system of distributing funding between councils is urgently needed. The Government should use the upcoming Local Government Finance Settlement to make this happen.

- Only with sufficient funding and greater freedom from central government to take decisions over vital services in their area can local government generate economic growth, build homes, strengthen communities, and provide care and support for older and disabled people.

- It is disappointing that there were no measures to address our concerns on the future of the replacement of EU funding to local areas. An £8.4 billion UK-wide funding gap for local communities would immediately open up from the point we officially exited the EU, unless a viable domestic successor to EU funding is in place. To help ensure we have an economy fit for the future, it is essential that this funding to local areas is fully replaced as part of a locally-led successor to EU regional aid.

The Budget offered very little to ease the financial crisis facing local services. It is particularly disappointing that there were no measures to address the priorities of councils on the Fair Funding Review, business rates retention, the future of the UK Shared Prosperity Fund, and social care.

<u>Fair Funding Review and Business Rates Retention</u>

With the exception of announcements on business rates retention pilots, the Chancellor made no announcements on business rates retention reform or the Fair Funding Review.

LGA view:

- Along with individual councils, we have been working with DCLG officials on the Fair Funding Review and on the move towards greater business rates retention within local government. Getting to a conclusion in these two related areas is a high priority for us and our member councils.

- We are calling on the Government to confirm the date of implementation of new funding baselines and to publish the planned Fair Funding Review consultation as soon as possible to ensure that confidence in the review is preserved.

- To ensure the future sustainability of local government services for our communities, we recommend that business rates retention should be used as follows:

    - To plug the £5.8 billion funding gap facing local government by 2019/20 and the £1.3 billion pressure to stabilise the adult social care provider market today.
    - To ensure that no authority will be worse off due to a new fair funding formula at the point of implementation.
    - To fund future service demand and resulting budget pressures.
    - The funding of some current grants through further business rates retention;
    - Not to transfer new responsibilities through business rates retention. Any new responsibilities should come with newly devolved resources.

- Finding a solution to the risks relating to business rates appeals, even in the 50 per cent business rates retention system, is crucial. There are still over 200,000 unsolved appeals dating back from before April 2017. Councils have had to divert over £2.5 billion from services to deal with this risk. The Government also needs to tackle business rates avoidance. We have estimated this is costing councils £230 million per annum.

- Given the uncertainty facing local government due to business rates retention and the Fair Funding Review, the Government must provide further funding through the Local Government Finance Settlement to reduce the pace of reductions of grant funding to all councils in 2018/19 and 2019/20. As part of this, the transition grant (negotiated to help local authorities most affected by the change in the method used to calculate reductions to revenue support grant and meant to provide support until the Government's reforms were implemented) now needs to be extended until the new arrangements are in place. The 50 per cent of business rates that currently make up the central share could be one source of this funding.

EU funding

The Chancellor made no announcements on the UK Shared Prosperity Fund.

LGA view:

- We have urged the Government to provide additional detail on how it intends to implement its manifesto commitment to provide a UK Shared

Prosperity Fund (UKSPF) to replace the EU funding for local areas when the UK leaves the EU. We are therefore disappointed that today's Budget lacks any detail on how, or when, the UKSPF will be administered or allocated. Most importantly, there has been no clarification on the overall quantum of funding. Time is now running out to effectively design and implement an orderly and smooth transition for local areas.

- A £8.4 billion UK-wide funding gap for local communities would immediately open up from the point we officially exited the EU, unless a viable domestic successor to EU funding is in place. To help ensure we have an economy fit for the future, it is essential that this funding to local areas is fully replaced as part of a locally-led successor to EU regional aid.

- EU funding has been utilised by local authorities, Local Enterprise Partnerships, businesses and the community and voluntary sector to support local level growth plans. It is a vital source of revenue and capital funding and has supported thousands of beneficiaries through schemes to create jobs, support small and medium enterprises, deliver skills, build infrastructure and boost local growth in all types of areas across the country. We urgently call on the Government to confirm that this quantum of successor money is now in place. This will allow local government to effectively plan before the UK exits the EU.

- We repeat our offer to support central government to develop an effective domestic successor programme which gives local areas far greater say over how money is spent, and enables them to deliver the ambitions of the Industrial Strategy.

Adult social care and health

- The Chancellor made no announcements on adult social care and support. He did announce an additional £6.3 billion for the NHS. This is made up of £3.5 billion of capital investment and £2.8 billion of resource funding. *(Page 65, Paragraph 6.1)*

- To protect frontline services in the NHS, the Government is committing to fund pay awards as part of a pay deal for NHS staff on the Agenda for Change contract, including nurses, midwives and paramedics. Any pay deal will be on the condition that the pay award enables improved productivity in the NHS, and is justified on recruitment and retention grounds. This does not prejudge the role of the independent NHS Pay Review Body in recommending the level of pay award that these staff should receive. *(Page 66, Paragraph 6.7)*

- The Chancellor announced that capital funding will be for local groups of NHS organisations (Sustainability and Transformation Partnerships) to deliver transformation schemes that improve their ability to meet demand for local services. This funding will enable them to deliver more integrated care for patients, more care out of hospital and reduce waiting times. *(Page 66, Paragraph 6.8)*

- The Chancellor announced an additional £42 million for the Disabled

Facilities Grant in 2017/18. *(Page 66, Paragraph 6.11)*

LGA view:

- It is extremely disappointing that the Government has chosen not to address the continuing funding gap for adult social care, while announcing further investment in the NHS. The Office of Budget Responsibility is very clear in its report that local authorities remain under pressure as demand and costs for both adult and children's social care rise. The best way to reduce pressures on the NHS is to tackle the chronic underfunding of care and support services, and to prevent people presenting at A&E in the first place. We therefore call on the Government to ensure that spending plans for the new funding are agreed with local government. We estimate that social care faces an annual funding gap of £2.3 billion by the end of the decade, and pressures on the provider sector of £1.3 billion right now. This needs to be plugged urgently to keep the system afloat and stop more providers leaving the market. There is no point overlaying sweeping reforms onto a system that is already extremely fragile.

- While local government will have managed reductions to its core funding from central government totalling £16 billion between 2010 and 2020, we have estimated that NHS spending will have increased by just under £20 billion over the same period (prior to today's announcement). The Government's approach of continuing to treat the symptoms of system pressures, rather than their causes, is short-sighted, costly and detrimental to people's wellbeing.

- Adult social care needs to be placed on an equal footing to the NHS. It is clear that the public understands this, as adult social care was a central talking point in the recent general election. It is therefore deeply disappointing that the Government has today chosen not to capitalise on this momentum. This will have significant consequences for the viability of the provider market and the sustainability of the NHS. Most importantly, the impact will be felt by people who rely on services. Unmet and under-met need is likely to increase and older and disabled people, and their carers, will face an uncertain future in which they may not receive the services that support their independence and wellbeing. We risk failing the positive ambitions of the Care Act.

- The £2 billion for adult social care over three years announced in the Spring Budget was a welcome step in the right direction and councils having been using this money effectively. But that money is one-off funding and does not resolve all immediate pressures. It is also now subject to increasing scrutiny and national direction, with next year's allocation under threat in some cases. Furthermore, the increasing focus on delayed transfers of care may mean that resources are diverted from supporting vital adult social care services and stabilising the provider market. Both are essential for supporting older and disabled people and reducing pressure on the NHS.

- We welcome the recent announcement of a period of engagement and consultation ahead of a Green Paper on the future of care by summer 2018. But that process will only focus on older people, will take time and we simply cannot wait for its solutions to deliver a sustainable system. The pressures are immediate and people of all ages using services want action now.

- We are also disappointed that the Government has ignored our call for urgent action to invest in prevention, early intervention and community based support, and to reverse the planned cuts to the public health grant. Continued reductions to the public health budget will have a significant impact on the essential prevention and health protection services provided by councils and will increase pressure on the NHS. Given that much of the local government public health budget pays for NHS services, including sexual health, drug and alcohol treatment and NHS health checks, this will be a cut to the NHS in all but name.

- The commitment to fund any pay deals for NHS staff on the Agenda for Change contract in order to protect frontline services may have a serious impact on the recruitment and retention of adult social care staff in residential and nursing homes by further increasing the pay differences between staff employed in adult social care and the NHS. This may further exacerbate the already fragile provider market. We are calling on the Government to ensure that measures to improve recruitment and retention in the NHS does not have a negative impact on recruitment and retention in residential and nursing homes.

- There will be an additional £2.6 billion capital funding for Sustainability and Transformation Partnerships (STPs) to transform services and deliver more integrated care. Adult social care is a vital component of integrated services and, as such, councils need to be fully involved in STP plans to develop out of hospital services. We are concerned that STPs continue to be NHS dominated with a focus on acute care. The partnerships will not be able to deliver truly integrated services without councils and adult social care being recognised as equal partners.

- We welcome further funding for the Disabled Facilities Grant. Councils are committed to supporting people to stay independent in their own home and out of more expensive acute settings.

Children's services

The Chancellor made no announcements on the budget pressures facing children's services.

LGA view:

- It is extremely disappointing that today's Budget has not provided any additional funding for children's services. The Government has been warned repeatedly that ongoing funding cuts have left councils struggling to provide the support that vulnerable children and families need. Major charities and independent experts have joined our call for additional resources to be provided urgently to help keep children safe.

- This vital service is rapidly becoming unsustainable. In 2015/16 councils surpassed their children's social care budgets by £605 million in order to protect children at immediate risk of harm. A further £2 billion funding gap will have opened up in just over two years' time. This gap is likely to grow even larger unless immediate action is taken to address the growing demand for child protection services.

- Last year, 90 children entered care every single day. It was the biggest annual increase witnessed since 2013. This has to be a wake up call to central government that unless there is an injection of funding to support crucial early intervention services, many more vulnerable children and families will need formal support from council child protection services in the years to come.

- Last year, 75 per cent of councils were forced to overspend their budgets by millions to ensure children at immediate risk of harm were protected. We have reached a tipping point where this service can no longer be ignored. It is absolutely crucial that the forthcoming Local Government Finance Settlement addresses this funding gap.

THE BUDGET IN DETAIL

Planning for more homes

The Chancellor announced:

- The Government will consult on strengthening policy to be clear that allocated land should be taken out of a plan if there is no prospect of a planning application being made. *(Page 60, Paragraph 5.7)*

- DCLG has begun the formal process of considering intervention in 15 areas where the local authority has failed to put an up-to-date plan in place. The Government will shortly activate powers that will enable it to direct local planning authorities to produce joint statutory plans and undertake an assessment of where they should be used. *(Page 60, Paragraph 5.8)*

- The Government will consult on a new policy whereby local authorities will be expected to permission land outside their plan on the condition that a high proportion of the homes are offered for discounted sale for first-time buyers, or for affordable rent. This will exclude land in the Green Belt. *(Page 60, Paragraph 5.9)*

- The Government will consult on introducing:

    - Minimum densities for housing development in city centres and around transport hubs, with greater support for the use of compulsory purchase powers for site assembly.
    - Policy changes to support the conversion of empty space above high street shops.
    - Policy changes to make it easier to convert retail and employment land into housing.
    - A permitted development right to allow commercial buildings to be demolished and replaced with homes *(Page 60, Paragraph 5.10)*

LGA view:

- Councils want to deliver the right kind of homes, supported by infrastructure. As the Chancellor highlighted in his speech, councils are playing their part – approving nine out of 10 planning permissions. The Government has placed significant emphasis on councils having a Local Plan, which councils go to great lengths to develop with their local communities and partners.

- It is disappointing that the Government is then simultaneously looking to consult on a series of policies that undermine the local planning process. For example, the proposal that councils will be expected to give permission to build on land outside of the local plan if most homes are offered for discounted sale for first-time buyers means that councils are being asked to produce a plan and then being made to ignore that very plan.

- It is important that the local planning process is responsive to local communities within the National Planning Policy Framework, which sets out a national policy enabling places to build new homes. Some councils are frustrated that the Government has delayed the implementation of their agreed local plans.

- Local authorities should be able to develop a locally responsive mix of housing tenure that works towards supporting home ownership. Councils need to be able to determine the number of first-time buyer homes built locally, alongside affordable homes for rent, which will be critical for ensuring new housing meets the needs of communities.

- We oppose a new permitted development right to allow commercial buildings to be demolished and replaced with homes. This risks a number of unintended consequences, as illustrated through the existing permitted development right allowing change of use from office and commercial use to residential use. This includes a reduction in viable office space, housing that does not meet housing need and a reduction in the provision of affordable housing and local infrastructure.

<u>Ensuring that planning permissions are built out faster</u>

The Chancellor announced:

- The Government will consult on:

    - Strengthening the Housing Delivery Test: With tougher consequences where planned homes are not being built, by setting the threshold at which the presumption in favour of development applies at 75 per cent of housing delivery by 2020.
    - Expecting local authorities to bring forward 20 per cent of their housing supply as small sites: This will speed up the building of new homes and supports the Government's wider ambition to increase competition in the house building market.
    - Speeding up the development process by removing the exemptions from the deemed discharge rules. This will get builders on site more quickly, ensuring that development is not held back by delays in discharging planning conditions. (*Page 61, Paragraph 5.11*)

- The Government will set up a review panel to explain the significant gap between housing completions and the amount of land allocated or permissioned, and make recommendations for closing it. *(Page 61, Paragraph 5.12)*

- The Government will develop a central register of residential planning permissions from local authorities to improve information on where permissions are held and progress towards them being built out. *(Page 61, Paragraph 5.13)*

LGA view:

- We have consistently called for new powers to ensure sites with planning permission are built out more quickly. It is welcome to see the Government focus on this issue, and we look forward to contributing to the build-out review.

- Local planning authorities are committed to building homes where they are needed but do not have all the planning powers to actually ensure it happens when planning permission is granted. Councils need to be given financial tools to ensure that sites with planning permission get built within a reasonable time frame, such as the ability to charge council tax on unbuilt homes in these situations. It is not appropriate to implement a strengthened delivery test on councils when they do not have the powers to ensure the delivery of those homes.

- As with all performance measures, it will be crucial that the drive to meet the requirements of a delivery test does not lead to unintended consequences. There is a risk that a simplistic focus on increasing supply, above all other factors, could result in housing that does not meet local need, or that are not supported by the necessary infrastructure or access to services. This would undermine community confidence in the local plan-led system.

- Councils recognise the importance that small sites can play in helping to meet local need for housing and helping stimulate the SME building industry. This will be crucial to increasing supply over the medium term. Councils will need to consider the cumulative impact of small sites coming forward alongside other sites on the capacity of local supporting infrastructure.

<u>Developer contributions</u>

The Chancellor announced:

- The Government will consult on:

    - Removing restriction of Section 106 pooling towards a single piece of infrastructure where the local authority has adopted the Community Infrastructure Levy (CIL), in certain circumstances such as where the authority is in a low viability area or where significant development is planned on several large strategic sites.
    - Speeding up the process of setting and revising CIL to make it easier to respond to changes to the market.
    - Allowing authorities to set rates which better reflect the uplift in land values between a proposed and existing use.
    - Changing indexation of CIL rates to house price inflation, rather than build costs. This will reduce the need for authorities to revise charging schedules. This will ensure CIL rates keep up with general housing price inflation and if prices fall, rates will fall too, avoiding viability issues
    - Giving Combined Authorities and planning joint committees with statutory plan-making functions the option to levy a Strategic Infrastructure Tariff (SIT) in future. (*Page 62, Paragraph 5.14*)

LGA view:

- We have long called for the process of setting up and revising CIL to be streamlined and for restrictions on section 106 pooling to be lifted. We have also called for measures to allow councils to capture a greater proportion of land value uplifts from the granting of planning permission.

- However, it is important to note that whilst the CIL is one tool available to councils to raise funding for infrastructure, it does not and cannot meet the whole infrastructure needs of an area.

- The proposals also miss an opportunity to make other reforms to CIL to make it a more effective tool for raising funds for infrastructure, as proposed by the CIL review. This includes the removal of national exemptions from CIL and capacity for local authority borrowing against future CIL receipts.

- All local areas should be able to benefit from the opportunity to levy a Strategic Infrastructure Tariff.

Housing Revenue Account

The Chancellor announced:

- A lift of Housing Revenue Account borrowing caps for councils in areas of high affordability pressure, so they can build more council homes. Local authorities will be invited to bid for increases in their caps from 2019/20, up to a total of £1 billion by the end of 2021/22. The Government will monitor how authorities respond to this opportunity, and consider whether any further action is needed *(Page 63, Paragraph 5.23)*

- The Government will proceed with a £200 million large-scale regional pilot of the Right to Buy for housing association tenants in the Midlands. *(Page 64, Paragraph 5.32)*

LGA view:

- It is encouraging to see that a number of local areas will be able to receive additional borrowing headroom to deliver more housing, responding to our case for enabling greater building by councils.

- We face a national housing crisis which impacts on different places in different ways, so it is important all councils have the levers to deliver vital affordable housing for their communities. The last time the country built over 250,000 homes was in the 1970s, when councils built 40 per cent of them.

- Housebuilding by councils at scale would boost local economies and productivity, it would reduce housing benefit spending and homelessness, put Right to Buy on a sustainable footing, and create revenue generating assets for communities. The Government should be bold in sparking a renaissance in house building by councils by removing Housing Revenue Accounts from contributing towards public sector debt.

- The Government's commitment to continue with the extension of the Right to Buy pilots for housing association tenants must not be funded by forcing councils to sell their council homes. We would welcome commitment as soon as possible that this is the case. Clarification on this point would remove uncertainty, allowing councils to get on and build.

Investment in housing and infrastructure

The Chancellor announced:

- The Government will invest further in infrastructure through the National Productivity Infrastructure Fund to support new housing in high-demand areas. The Budget commits a further £2.7 billion to the competitively allocated Housing Infrastructure Fund (HIF) in England. This takes the total investment in the HIF to £5 billion. *(Page 62, Paragraph 5.18)*

- The Government will provide £1.1 billion for a new Land Assembly Fund, funded from the National Productivity Infrastructure Fund. The new fund will enable Homes England to work alongside private developers to develop strategic sites, including new settlements and urban regeneration schemes. *(Page 62, Paragraph 5.16)*

- The Government will provide a further £630 million through the National Productivity Infrastructure Fund to accelerate the building of homes on small, stalled sites, by funding on-site infrastructure and land remediation. *(Page 62, Paragraph 5.20)*

- A further £1.5 billion for the Home Building Fund, providing loans specifically targeted at supporting SMEs who cannot access the finance they need to build. *(Page 62, Paragraph 5.21)*

- A confirmation of the further £2 billion of funding for affordable housing announced in October, including funding for social rented homes. This takes the total budget for the Affordable Homes Programme from £7.1 billion to £9.1 billion to 2020/21. It is expected that this will provide at least 25,000 new affordable homes. *(Page 63, Paragraph 5.23)*

- £400 million of loan funding for estate regeneration to transform run-down neighbourhoods and provide new homes in high-demand areas. *(Page 63, Paragraph 5.24)*

LGA view:

- It is positive to see further Government investment in building new homes. The doubling of the Housing Infrastructure Fund is particularly welcome, as the first block of funding was significantly over-subscribed due to the appetite from local government to access it to build homes. Similarly, investment in the Affordable Homes Programme, land assembly, supporting SMES and estate regeneration all reflect asks that the LGA has made in its Housing Commission.

- We look forward to working with the Government on the details. It is critical that all councils in all parts of the country have a leading role in shaping this investment to ensure that new housing and infrastructure meets the needs of the local communities they represent.

- However it is also clear that the Government is taking a decision to invest a much greater proportion of funding through different national programmes for private developers than in supporting councils to build more affordable homes. The only way to build more homes that communities can afford is by enabling a significant increase in building by councils, which have housing and homelessness duties.

Homelessness

The Chancellor announced:

- The launch of the Homelessness Reduction Taskforce *(Page 64, Paragraph 5.33)*

- Investment of £28 million in three Housing First pilots in Manchester, Liverpool and the West Midlands, to support rough sleepers with the most complex needs to turn their lives around. *(Page 64, Paragraph 5.34)*

- £20 million of funding for schemes to support people at risk of homelessness to access and sustain tenancies in the private rented sector. *(Page 64, Paragraph 5.35)*

LGA view:

- Homelessness is increasing as housing becomes less affordable due to rising rents and reduced welfare assistance. These measures are welcome, but do not go far enough in tackling the underlying issues. Looking ahead, it is crucial that the Government continue to adapt the implementation of welfare reforms to reduce the risk of homelessness. This should include lifting the Local Housing Allowance freeze and removing temporary accommodation from Universal Credit.

- Councils will want to see the detail of the private rented access schemes and ensure that they have a role in deciding how they are used. Councils have the housing and homelessness duties, including new duties in the Homelessness Reduction Act. They must therefore have the lead role in accessing funding so that it is targeted at local landlords to provide as many accommodation options as possible to families at risk of homelessness.

Support for renters

The Chancellor announced:

- To support Housing Benefit and Universal Credit claimants living in areas where private rents have been rising fastest, the Government will increase some Local Housing Allowance (LHA) rates by increasing Targeted Affordability Funding by £40 million in 2018/19 and £85 million in 2019/20. This will increase the housing benefit awards of approximately 140,000 claimants in 2018/19, by an average of £280, in areas where affordability pressures are greatest. *(Page 64, Paragraph 5.37)*

LGA view:

- This is a helpful step recognising our call for lifting the LHA freeze. However, it does not address the chronic and growing crisis of housing affordability, particularly in the private rented sector, which is now the leading cause of homelessness. Councils need funding and flexibility to increase supply.

- The overall Discretionary Housing Payment funding for 2017/18 is £185 million, dwarfed by the combined annual income loss associated with the benefit cap (£486 million), the under occupation charge (£557 million) and those paying rent above the Local Housing Allowance (£3.7 billion).

Stamp duty for first-time buyers

The Chancellor announced:

- The price at which a property becomes liable for stamp duty land tax will be permanently raised to £300,000 for first-time buyers. The relief will not apply to properties prices over £500,000. *(Page 63, Paragraph 5.28)*

LGA view:

- The removal of stamp duty for properties under £300,000 should help hard pressed first time buyers. However, without an increase in the number of homes available to buy, first time buyers will still struggle to find a home they can afford. Councils are ready to play their part in building new homes, but they need to be given sufficient powers and resources.

Grenfell Tower

The Chancellor announced:

- Following the tragedy at Grenfell Tower, the Government is determined to ensure that those affected receive the support they need. The Budget re-confirms that, where measures are essential to make a building fire safe, the Government will make sure that current restrictions on the use of local authority financial resources will not prevent them going ahead. The Government awaits the findings of the Hackitt Review and will respond to the recommendations when they are published. The Budget also commits £28 million additional community support to victims, including new mental health services, regeneration support for the Lancaster West estate, and a new community space. *(Page 63, Paragraph 5.26)*

LGA view:

- The Government needs to provide funding those councils that are removing and replacing cladding on the 45 council tower blocks, and any other essential fire safety measures that are deemed necessary to ensure residents are safe going forward.

- With hundreds of private residential high rise buildings already identified as having aluminium composite material (ACM) cladding that requires further checking, and councils confirming with building owners of thousands of other private high rise residential buildings whether these do not have ACM cladding, central government needs to fully fund the costs incurred by councils in conducting this vital safety work, and any follow up action needed to ensure residents in these blocks are safe.

- The additional £28 million of funding to help support the victims of the Grenfell Tower fire and the affected communities is welcome.

Business Rates Retention

The Chancellor announced:

- A pilot of 100 per cent business rates retention in London in 2018/19. The Greater London Authority (GLA) and London boroughs will come together to form a pool and invest revenue growth strategically on a pan-London basis. *(Page 55, Paragraph 4.71)*

- The Government will continue to pilot additional business rates retention for councils across England. In addition to the London pilot announced in the Budget, new pilots for 2018/19 will be announced following the DCLG assessment of recent applications to its scheme. *(Page 56, Paragraph 4.80)*

LGA view:

- We welcome the announcement of business rates pilots. We look forward to the announcement of the pilots elsewhere in the country.

- We expect the Government to honour its previous commitment that pilots should not have a detrimental effect on other areas.

Other business rates measures

The Chancellor announced:

- Bringing forward to 1 April 2018 the planned switch in indexation from RPI to the main measure of inflation (currently CPI).

- Legislating retrospectively to address the so-called “staircase tax” (this refers to the Supreme Court judgement on the Mazars case which concerned valuation of non-contiguous areas within buildings). Affected businesses will be able to ask the Valuation Office Agency (VOA) to recalculate valuations so that bills are based on previous practice backdated to April 2010 – including those who lost Small Business Rate Relief as a result of the Court judgement. The Government will publish draft legislation shortly.

- Continuing the £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, for one year from 1 April 2018.

- Increasing the frequency with which the VOA revalues non-domestic properties by moving to revaluations every three years following the next revaluation, currently due in 2022. To enable this, ratepayers will be required to provide regular information to the VOA on who is responsible for business rates and property characteristics including use and rent. The Government will consult on the implementation of these changes in the spring.

- Local government will be fully compensated for the loss of income as a result of these measures. *(Page 34, Paragraph 3.27 and 3.28)*

LGA view:

- We welcome the fact that councils will be fully compensated for the switch from RPI to CPI, which has been brought forward by two years, and the discount for small public houses.

- We call on the Government to fully fund losses to local government from valuation appeals, such as the change in the valuation method for doctors' surgeries.

- We welcomed the proposal for businesses to provide more regular information to the VOA as part of a move to more frequent valuations. We would not be in favour of more frequent revaluations without measures to reduce significantly the backlog of appeals. There are still over 200,000 unsolved appeals dating back from before April 2017. Councils have had to divert over £2.5 billion from services to deal with this risk.

- The Government also needs to tackle business rates avoidance; which we have estimated stands at £230 million per annum.

Council tax

The Chancellor announced:

- The Government is keen to encourage owners of empty homes to bring their properties back into use. To help achieve this, local authorities will be able to increase the council tax premium from 50 per cent to 100 per cent. *(Page 64, Paragraph 5.31)*

LGA view:

- We welcome the fact that the Government has listened to our call to provide councils with the ability to charge more for empty homes. The Government should also give councils more flexibility on other council tax discounts and on the relative burden between valuation bands, as well as abolishing council tax referendums.

Local infrastructure rate

The Chancellor announced:

- Following a consultation earlier this year, the Government confirms that it will lend local authorities in England up to £1 billion at a new discounted interest rate of gilts + 60 basis points accessible for three years to support infrastructure projects that are high value for money. Details of the bidding process will be published in December 2017, and corresponding shares will be made available to local authorities in Scotland and Wales. *(Pages 55-56, Paragraph 4.79)*

LGA view:

- This was first announced in last year's Autumn Statement. As we stated on our response to the subsequent consultation which closed in January 2017, any Government initiative that has the potential to reduce costs to local government is welcome. These proposals will have a positive, but marginal, impact on local authorities' infrastructure investment. This impact could be made greater if the amounts available under the scheme were increased, the rate offered were improved, and the types of qualifying investment widened.

Skills

The Chancellor announced:

- A formal skills partnership with the Trades Union Congress (TUC) and the Confederation of British Industry (CBI) to develop the National Retraining Scheme. Together they will help set the strategic priorities for the scheme and oversee its implementation, working with new Skills Advisory Panels to ensure that local economies' needs are reflected. *(Page 47, Paragraph 4.21)*

- The Government will continue to work with employers on how the apprenticeship levy can be spent so that the levy works effectively and flexibly for industry, and supports productivity across the country. *(Page 48, Paragraph 4.27)*

LGA view:

- The development of a £65 million national retraining scheme with the CBI and TUC is welcome but it must work for people and places up and down the country to help them match local skills supply and demand. We urge the Government to work with the LGA and councils, as well as with LEPs, to make this happen. We await further details in the Industrial Strategy White Paper about the role of local Skills Advisory Panels.

- Any review of the Apprenticeship Levy must enable local areas to pool Levy contributions so provision can be planned and targeted more effectively across places.

- Urgent action is required to solve our growing skills crisis. By 2024, we will have four million too few high skilled workers and eight million too many intermediate and low skilled workers to fill the jobs the national economy will generate. Failure to address this puts at risk up to 4 percent of future economic growth – equivalent to a loss of £90 billion economic output, which would make the average worker £1,000 a year worse off.

- Our skills crisis is partly due to a succession of top down Whitehall initiatives which, while well meaning, have simply not worked. This has created a confusing patchwork of £10.5 billion skills and employment funding scattered across 20 different national schemes.

- We are disappointed that the Chancellor has not signalled a move towards a more joined up and locally relevant skills system. We urge the Government to work with councils so that the whole skills system can be made coherent for local people and effective for local businesses. Only then will we be able to make the most of valuable public and produce the current and future workforce we need.

Universal Credit

The Chancellor announced:

- The Government will provide more support to Universal Credit claimants:
    - From January 2018 those who need it, and who have an underlying entitlement to Universal Credit, will be able to access up to a month's worth of Universal Credit within five days via an interest-free advance. The Government will extend the period of recovery from six months to twelve months, making it easier for claimants to manage their finances. New claimants in December will be able to receive an advance of 50 per cent of their monthly entitlement at the beginning of their claim and a second advance to take it up to 100 per cent in the new year, before their first payment date.
    - From February 2018 the Government will remove the seven-day waiting period so that entitlement to Universal Credit starts on the first day of application.
    - From April 2018 those already on Housing Benefit will continue to receive their award for the first two weeks of their Universal Credit claim.
    - The Government will also make it easier for claimants to have the housing element of their award paid directly to their landlord. *(Page 67, Paragraph 6.14)*

- To support these changes the Government will roll out Universal Credit more gradually between February 2018 and April 2018, and roll-out to all jobcentres will be complete in December 2018. *(Page 67, Paragraph 6.15)*

- Universal Credit also offers new opportunities to support people in low-paid work to progress in the labour market. The Budget allocates £8 million to trial innovative approaches to help individuals on Universal Credit to earn more. *(Page 67, Paragraph 6.16)*

LGA view:

- We have raised significant concerns on behalf of the sector about the design and implementation of Universal Credit. We are pleased that the Government has listened to some of these concerns and proposed a set of measures to address issues related to the initial waiting period, in particular.

- However, these measures also do not fully address the widening gap between people's incomes and outgoings, and the resulting pressures on council budgets and services that are presenting real challenges to local authorities.

- The package of measures should enable councils to ensure that fewer Universal Credit claimants get into difficulty at the outset of their claim.

- We need to understand detail of how the measures will be implemented. The measures that councils will be responsible for, particularly in relation to the continuation of Housing Benefit, may be administratively complex. These must be fully resourced, and the Department for Work and Pensions must continue to work closely with local government on implementation. It must be clear to claimants what support is available and how they can access it.

- Councils would like to be able to do more, in partnership with central government, to support low income households to increase their income from employment and access genuinely suitable and affordable housing.

Devolution

The Chancellor announced:

- The Government has agreed a 'minded to' devolution deal with the North of Tyne authorities, which will be subject to the consent of local partners. This would see £600 million of investment in the region over 30 years and create a new mayor elected in 2019 with powers over important economic levers including planning and skills. *(Page 53, Paragraph 4.56)*

- The Government will enter into discussions with the Liverpool City Region and Tees Valley to explore scope for further devolution to these areas, to promote local growth. (*Page 54, Paragraph 4.61)*

- The Government has agreed a second devolution deal in principle with the West Midlands Mayor and Combined Authority to address local productivity barriers. This includes £6 million for a housing delivery taskforce, £5 million for a construction skills training scheme and a £250 million allocation from the Transforming Cities fund to be spent on local intra-city transport priorities. *(Page 54, Paragraph 4.62)*

- The Government will also begin negotiations on a growth deal for the Borderlands. *(Page 56, Paragraph 4.87)*

- The Government will make available to Mayoral Combined Authorities with elected mayors a £12 million fund for 2018/19 and 2019/20, to boost the new mayors' capacity and resources. *(Page 55, Paragraph 4.78)*

LGA view:

- The announcement of the first new devolution deals in 20 months is encouraging and will benefit those living in the North of Tyne region and the West Midlands. Many more such deals are required to the growing sense of stalled progress and missed opportunities across much of the country.

- The longer it takes to secure new devolution deals, the longer communities will have to wait to benefit from the opportunities currently available to areas where devolution has taken place. These include having greater powers and funding to improve local transport, housing, health and social care and to equip local people with the skills they need to secure employment and prosper.

- The Government needs to engage in an honest and open debate about the best form of governance able to foster thriving local economies across the country, including non-metropolitan areas, to ensure that opportunities for inclusive growth are not lost. This would be aided by providing further detail on the proposal for a common devolution framework as soon as possible.

- In order to have a clearer account of progress to date, that the annual devolution report should be published.

<u>Trade and Business Export Support</u>

The Chancellor announced:

- The Department for International Trade will set out details of their new export strategy review. *(Page 50, Paragraph 4.34)*

LGA view:

- The Government's review of the UK's export strategy is a welcome opportunity to do things differently. Whilst there are positive relationships between national and local agencies providing export support to business, there is still a need to further refine the offer and create flex in the system to tailor more to local needs. A new approach must better leverage the expertise of local authorities and further embed stronger place-based approaches to trade and investment that integrate support at a local level.

Transforming Cities Fund

The Chancellor announced:

- A £1.7 billion fund from the National Productivity Investment Fund to support intra-city transport, will target projects which drive productivity by improving connectivity, reducing congestion and utilising new mobility services and technology. Half will be allocated via competition for transport projects in cities and the other half will be allocated on a per capita basis to the 6 combined authorities with elected metro mayors – £74 million for Cambridgeshire and Peterborough, £243 million for Greater Manchester, £134 million for Liverpool City Region, £80 million for West of England, £250 million for West Midlands and £59 million for Tees Valley – enabling them to invest in their transport priorities. *(Page 51, Paragraph 4.42)*

LGA view:

- Any new funding for transport is a positive step. Motorists spend five days a year stuck in traffic and this costs them £1,000 a year. £1.7 billion in additional transport funding will make an essential impact for our cities and devolution areas. Funding allocations like those received by the mayoral combined authorities will allow local areas to focus on interventions that they know will make a difference.

- However congestion isn't just confined to cities. The Government must build on this, and deliver similar funding for councils across the country. In particular authorities need long term funding certainty and an end to constant bidding rounds.

Workforce

The Chancellor announced:

- To develop and support public sector workers in driving productivity improvements, the Government will build capability in workforce planning, management and monitoring. This will ensure the right people are in place, with the right skills and experiences to deliver key services. *(Page 68, Paragraph 6.25)*

- The Government will establish a Public Service Leadership Academy to complement existing provision, create networks and share best practice across the public services. A taskforce will be set up to advise on the role, remit and responsibilities of the new Academy and will provide an interim report by Spring Statement 2018. *(Page 68, Paragraph 6.26)*

LGA view:

- This builds on the work that the LGA is already undertaking, and we look forward to dialogue with the Government about their proposals and the funding involved.

- We welcome the establishment of the new Public Service Leadership Academy and we look forward to being involved in the advisory taskforce, building on our expertise in running similar programmes in local government.

Public sector pay

The Chancellor announced:

- In September 2017 the Government announced its intention to move away from the 1 per cent basic public sector pay award policy, which is paid to public servants in addition to any incremental pay progression and allowances. The Government will ensure that the overall pay award is fair to public sector workers, as well as to taxpayers, and reflects the vital contribution they make to delivering high quality public services. In 2018/19, for those workforces covered by an independent Pay Review Body (PRB), the relevant Secretary of State will shortly write to the PRB Chair to initiate the 2018/19 pay round, before later submitting detailed evidence outlining recruitment and retention data and reflecting the different characteristics and circumstances of their workforce. Each PRB will then make its recommendations in the spring or summer, based on the submitted evidence. Secretaries of State will make final decisions on pay awards, taking into account their affordability, once the independent PRBs report. *(Page 69, Paragraph 6.27)*

LGA view:

- We are disappointed that the Chancellor has ignored local government in his remarks about public sector pay. We are continuing to call for additional funding to cover the cost of adjusting the local government pay structure to take account of the National Living Wage. The 1.2 million staff who work in local government strive every day to provide essential services to our communities. Without additional funding it will be increasingly difficult to retain staff and sustain service levels.

- It is disappointing that the Government has not recognised now the issue of rewarding fire employees to reflect the positive impact that the broader work of fire and rescue services in collaborating with health and other partners could have. We will continue to call on the Government to provide sufficient funding to deliver the best outcomes for fire and rescue services, their communities, partners and employees.

Digital communications

The Chancellor announced:

- The Government will invest a further £160 million from the National Productivity Investment Fund in new 5G infrastructure. *(Page 52, Paragraph 4.47)*

- The Government is launching a new £190 million Challenge Fund that local areas around the country will bid for to encourage faster rollout of full-fibre networks by industry. *(Page 52, Paragraph 4.48)*

- The Government will shortly consult on commercial options to improve mobile communications for rail passengers and will invest up to £35 million to enable trials. This will be used to upgrade the Network Rail test track in Melton Mowbray, install trackside infrastructure along the Trans-Pennine route between Manchester, Leeds and York, and support the rollout of full-fibre and 5G networks. *(Page 52, Paragraph 4.49)*

LGA view:

- Extending excellent digital coverage across the country is key to ensuring all residents and businesses have access to 21st century digital connectivity. While investment in 5G technology is welcome, many outside our larger cities currently struggle to access 4G or even 3G technology. Non-metropolitan areas have a vital role to play in driving the growth of our economy but are being held back by poor connectivity. We call on the Government to fund trials of 5G in rural areas, to better understand its rural replicability, and determine its potential to improve broadband and mobile coverage to the benefit of residents, businesses and crucial services like remote healthcare.

- The provision of full fibre connectivity across the country will be vital to ensure residents have access to fast and reliable connectivity. We are pleased local areas will be able to access funding to help stimulate the market to extend coverage. For those residents who won't be reached by full fibre connectivity for some time, we have called for the Government to be more ambitious on the proposed speeds and scope of the Broadband Universal Service Obligation. A proposal that only aims to provide a minimum download speed of 10Mbps to those it reaches and leaves approximately 60,000 premises unserved cannot be the limit of the Government's ambition.

- The Government's proposals to trial new ways to improve connectivity on trains is positive. Poor mobile signal on our rail network is symptomatic of the low levels of mobile connectivity across many non-metropolitan areas. Where appropriate, the Government should explore how this investment can help improve the connectivity of nearby towns, villages and business parks. Local government is committed to exploring with the mobile industry, regulators and Government how best to ensure residents across the country can benefit from public investment in new technology, wherever they live.

Clean air and diesel vehicles

The Chancellor announced:

- In support of the National Air Quality Plan published in July, the Government will provide £220 million for a new Clean Air Fund. This will allow local authorities in England with the most challenging pollution problems to help individuals and businesses adapt as measures to improve air quality are implemented. The Government is launching a consultation alongside Budget on options that could be supported by this fund. This will be paid for by:

    - A Vehicle Excise Duty (VED) supplement that will apply to new diesel cars first registered from 1 April 2018, so that their First-Year Rate will be calculated as if they were in the VED band above. This will not apply to next-generation clean diesels – those which are certified as meeting emissions limits in real driving conditions, known as Real Driving Emissions Step 2 (RDE2) standards.

    - A rise in the existing Company Car Tax diesel supplement from 3 per cent to 4 per cent, with effect from 6 April 2018. This will also apply only to diesel cars which do not meet the Real Driving Emissions Step 2 (RDE2) standards. (*Page 36, Paragraph 3.42)*

LGA view:

- We support further incentives to help motorists move to cleaner cars. Today's tax changes, and £220 million Clean Air Fund, are a step in the right direction.

- We would now like to see the Government build on this positive step, and go further by backing a national diesel scrappage scheme. This will enable us to both make transition to greener vehicles easier for car owners, and deliver cleaner air for our residents.

Support for Electric Vehicles

The Chancellor announced:

- To support the transition to zero emission vehicles, the Government will regulate to support the wider roll-out of charging infrastructure; invest £200 million, to be matched by private investment into a new £400 million Charging Investment Infrastructure Fund; and commit to electrify 25 per cent of cars in central government department fleets by 2022. The Government will also provide £100 million to guarantee continuation of the Plug-In Car Grant to 2020 to help consumers with the cost of purchasing a new battery electric vehicle. *(Page 46, Paragraph 4.15)*

LGA view:

- The Government needs to clarify how the infrastructure required to support electric vehicles will be put in place, and who will maintain it. Councils are keen to assist the Government in building a greener economy, but the provision of infrastructure will require a partnership of central government, local government and the private sector.

Potholes

The Chancellor announced:

- The Government is investing an additional £45 million in 2017/18 to tackle around 900,000 potholes across England. *(Page 51, Paragraph 4.43)*

LGA view:

- We welcome the additional funding to deal with the road maintenance backlog. However, this is not sufficient to deal with the £12 billion backlog of repairs.

Flooding

The Chancellor announced:

- An additional £76 million will be spent on flood and coastal defence schemes over the next three years. This funding will better protect 7,500 households and boost flood defence investment to over £2.6 billion between 2015/16 and 2020/21. Of this, £40 million will be focussed on deprived communities at high flood risk, boosting local regeneration. *(Page 52, Paragraph 4.50)*

LGA view:

- This provides clarity on how a proportion of the £700 million additional funding for flood defences announced at Autumn Budget 2016 will be allocated. It is vital that investment in capital and maintenance is joined-up as part of a long-term approach to improving local flood defence and resilience infrastructure. Devolving funding into a single place-based pot would allow local areas to support a more diverse set of outcomes and local priorities.

Environmental tax – reducing plastics waste

The Chancellor announced:

- The Government will launch a call for evidence in 2018 seeking views on how the tax system or charges could reduce the amount of single-use plastics waste, building on the success of the existing plastic carrier bag charge. *(Page 37, Paragraph 3.50)*

LGA view:

- Dealing with litter and fly-tipping is expensive and costs tax payers nearly £1 billion each year. We look forward to seeing the detail of the proposals and working with the Government to explore the options.

<u>Cultural Development Fund</u>

The Chancellor announced:

- To support the role culture can play in regeneration and local growth, the Government will provide £2 million funding to the Department for Digital, Culture, Media and Sport for place-based cultural development. *(Page 56, Paragraph 4.83)*

LGA view:

- Councils recognise the tremendous role that culture and heritage plays in helping to create places where people want to live, work and visit. While today's announcement is helpful, further funding would genuinely make a difference in creating culture-led, place-based development in communities.

- Despite significant reductions in central government funding, councils have adopted innovative ways of supporting and boosting culture and heritage. This includes setting up trusts to run cultural services, co-locating libraries with other public services, and reaching new audiences through digital innovation.

- Councils must play a central role in how this new fund is spent and distributed, which should complement existing commitments to the creative industries in the Industrial Strategy. Councils know their areas and are best placed to ensure any resources being deployed are spent as efficiently and effectively as possible, so their local communities, residents and businesses get the maximum benefits.

<u>Centenary Fund</u>

The Chancellor announced:

- At Spring Budget 2017 the Government announced £5 million for projects to celebrate the centenary of voting rights being extended to women for the first time in 1918. Today the Chancellor announced that £1.2 million of this will go to fund activities in seven cities and towns with strong links to the campaign for women's suffrage – Bolton, Bristol, Leeds, Leicester, London, Manchester, and Nottingham. The Government will allocate the rest to local and community projects, including a statue of Millicent Fawcett in Parliament Square, and other activities. *(Page 56, Paragraph 4.81)*

LGA view:

- The 1918 Representation of the People Act, giving women over 30 the right to vote, was a momentous occasion and it is right that we celebrate the enormous positive impact that this has had on society. These celebrations should be used to inspire a new generation of women to engage with and enter into politics.

- To enable effective planning for the celebrations the Government should make details of the fund available as soon as possible.

New duty band to target 'white cider'

The Chancellor announced:

- Following the consultation launched at Spring Budget 2017, the Government will introduce a new duty band for still cider and perry from 6.9 per cent to 7.5 per cent alcohol by volume (abv), to target white ciders. Legislation will be brought forward in Finance Bill 2018/19, for implementation in 2019, to allow producers time to reformulate and lower their abv. *(Page 38, Paragraph 3.58)*

LGA view:

- We support the announcement of a new duty band for still cider and perry. Our response to the consultation had urged the Government to introduce differential duty rates for ciders to help target high strength 'white' ciders.

- The availability of cheap, high strength ciders has been an ongoing concern for councils as it is linked to public disorder and health harm. The introduction of a new band will align high strength cider duties with those introduced for beer in 2011. This is something we have previously called for.

Hidden economy: conditionality

The Chancellor announced:

- The Government will consult further on how to make the provision of some public sector licences conditional on being properly registered for tax. This would make it more difficult to trade in the hidden economy, helping to level the playing field for compliant businesses. *(Page 39, Paragraph 3.69)*

LGA view:

- We support the Government's focus on preventing businesses from entering the hidden economy.

- Introducing tax registration as a condition of access to some business licences or permits is equivalent to other checks (for example, Disclosure and Barring Service checks or right to work checks). They could, in principle, be incorporated into local government licensing processes.

- It will be important that any proposals do not duplicate information about licence holders that the Government already collects through returns such as the National Fraud Initiative.

- Equally, any changes must not shift the burden of checks and investigation from HMRC to licensing authorities. Instead, any new rules should enable licensing authorities to undertake a simple check on an applicant's tax status, with cases referred to HMRC in the event of any discrepancies.

<u>Efficiency Review</u>

The Chancellor announced:

- At Budget 2016, the Government announced that spending would be reduced by £3.5 billion over Spending Review 2015 plans in 2019-20. An Efficiency Review was launched to help deliver this. As announced at Autumn Statement 2016 the Government has reprioritised £1 billion of low value spend to fund new priorities, instead of putting savings toward deficit reduction as originally planned. *(Page 22, Paragraph 1.54)*

- A further £1.4 billion reduction has been delivered by a number of savings in low value spend, announced in the previous Parliament. *(Page 22, Paragraph 1.55)*

- Given potential new spending and administrative pressures faced by departments in 2019/20, the Government has decided not to proceed with the remaining £1.1 billion reduction in spending in that year. *(Page 22, Paragraph 1.56)*

LGA view:

- We have previously argued that none of the savings to be made from the Efficiency Review should fall on local authorities. The Government's decision not to proceed with the Efficiency Review will bring certainty councils.

<u>Geospatial data</u>

The Chancellor announced:

- The Government will establish a new Geospatial Commission to provide strategic oversight to the various public bodies who hold this data. *(Page 46, Paragraph 4.14)*

- The Government will work with the Ordnance Survey (OS) and the new Commission, by May 2018, to establish how to open up freely the OS MasterMap data to UK-based small businesses in particular, under an

Open Government Licence or through an alternative mechanism. *(Page 46, Paragraph 4.14)*

LGA view:

- Any new burden falling on local authorities resulting from this, including lost income, should be fully funded.