Government's Autumn Budget – 22 November 2017

1. Announcements relevant to local government within the Autumn Budget 2017 are summarised below (provided by LG Futures on 22 November 2017).

Government Spending

2. The Chancellor has announced that the government is producing this Budget against the background of preparing for exiting the EU, and, to help ensure a smooth transition, they are setting aside an additional £3 billion for government.

3. The Chancellor also stated that the level of public sector net borrowing is now forecast to be £49.9bn in 2017/18, reduced from £58.3bn in the March Budget. However, the forecast for the last year of the current Spending Round is for borrowing of £34.7bn, compared to £21.4bn in the March Budget, and, by 2021/22, for £30.1bn, compared to £16.8bn. He stated that borrowing is still forecast at over £20bn in the first year of the next Parliament.

4. The Chancellor announced initiatives across a number of themes:

- Additional measures to boost productivity, including a £1.7 billion new Transforming Cities Fund through the NPIF, launched in 2016 to improve connectivity and support jobs across England's city regions;

- Measures to increase the numbers of new homes being built and access to homes for the young and first time buyers; and

- £2.8bn of additional funding for the NHS up to 2019/20, with £0.3bn in 2017/18, £1.6bn in 2018/19 and £0.9bn in 2019/20 and additional capital funding of £3.5bn.

5. The Autumn Budget sets out a number of measures with a direct impact on local government. These are outlined below.

Business Rates

6. The government has announced a number of changes to business rates. The main changes announced are:

- From April 2018, CPI will be used to uprate the multiplier for business rates, rather than RPI, bringing forward the change already announced from April 2020;

- The business rates revaluation cycle will switch from five years to three years following the next revaluation. This should mean that, following the planned 2022 revaluation, the next revaluation will be in 2025;

- He confirmed that the application for a further London business rates pilot will go ahead for 2018/19; and it was confirmed in the budget papers that *"In addition to the London pilot announced in the Budget, new pilots for 2018-19 will be announced following the Department for Communities and Local Government's (DCLG) assessment of recent applications to its scheme".* This suggests that an announcement will be made shortly, which may mean the provisional settlement. However, given the need to finalise figures prior to this, it might be expected that successful areas will hear in the coming weeks.

- There will be an extension of one-year to the £1,000 discount to business rates bills for pubs with a rateable value of less than £100,000 to 2018/19.

7. The proposal to move to uprating the business rates multiplier by CPI from April 2018 should see a reduction in the rate of increase from 3.9% (September RPI) to 3.0% (CPI rate). However, this is still significantly higher than the 2017/18 increase of 0.8% and higher than the previous two years' of 2.0% (which were as a result of a 2% cap).

8. The cost to the government of this change is reflected in the policy costings at £240m in 2018/19 and £530m in 2019/20. In the Budget papers, it states that *"Local government will be fully compensated for the loss of income as a result of these measures".* Local authorities should therefore see the NNDR1 and NNDR3 forms determining a S31 grant that will offset the lower increase in revenues, in the same way that the lost revenues from the previous 2% caps are refunded.

9. This change should therefore be revenue neutral for local authorities for 2018/19 and 2019/20. However, it is likely that it will result in a lower Baseline Need/NNDR Baseline amount in 2020/21, which, if not compensated for, would reduce local authority resources by £0.5bn per annum.

Council tax

10. The Chancellor announced that, from April 2018, local authorities will be given the power to increase the council tax empty homes premium from 50%

to 100%.

Regions

11. The Chancellor announced a number of measures relating to the regions, including:

- The £1.7bn new Transforming Cities Fund, with funding identified up until 2021/22, to support intra-City transport links. This 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 six combined authorities with elected metro mayors. As a result, allocations will be £74m for Cambridgeshire and Peterborough, £243m for Greater Manchester, £134m for the Liverpool City Region, £80m for the West of England, £250m for the West Midlands and £59m for the Tees Valley.

- New devolution deals for the North of the Tyne and a second deal for the West Midlands region. This is also accompanied by specific funding arrangements for the Tyne and Wear Metro, Redcar Steelworks, and to expand the economy between Cambridge and Oxford.

Other measures announced

12. **Housing**. The government announced that it wishes to increase the numbers of new homes being built to 300,000 per annum by the middle of the 2020s. A wide breadth of measures were announced to support this objective and these include:

- Housing Investment: the government will provide £1.1bn for a new Land Assembly Fund; a further £2.7bn to the competitively allocated Housing Infrastructure Fund (HIF) in England and a further £630m through the NPIF to accelerate the building of homes on small, stalled sites, by funding on-site infrastructure and land remediation. The government has also agreed a housing deal with Oxfordshire, which has agreed to bring forward for adoption a joint statutory spatial plan and commit to a target of 100,000 homes in the county by 2031, in return for a package of government support over the next five years.

- Housing Revenue Account: the government had announced that it will lift 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 £1bn by the end of 2021/22. The government will monitor how authorities respond to this opportunity, and consider whether any further action is needed.

- Intervention: the government confirmed it 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 and that it 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.

- Community Infrastructure Levy: DCLG will launch a consultation with detailed proposals on reforms to the CIL.

- Housing First pilots: the government will invest £28m 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.

13. The government has also announced:

- An extra £42m of Disabled Facilities Grant in 2017/18, taking funding available to £473m;

- An extra £45m for the Pothole Fund in 2017/18;

- A package of measures to support the continued roll out of Universal Credit;

- A national living wage of £7.83 from April 2018.