

**Committee:** Cabinet

**Agenda Item**

**Date:** 10 December 2015

**10**

**Title:** Autumn Statement – An overview of the key points

**Portfolio Holder:** Cllr Simon Howell

Key Decision: No

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## Summary

1. This report outlines the key points arising from the Autumn Statement as they affect the council.

## Recommendations

2. The Cabinet is recommended to note the report.

## Financial Implications

3. None

## Background Papers

4. None.

## Impact

Communication/Consultation	The Autumn Statement announcements will in the most part be subject to further consultation by the government.
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	Implications of the Autumn Statement will feed into the Medium term Financial Strategy.

## Background

5. On Wednesday 25 November the Chancellor delivered the Autumn Statement. It gave some insight into the future direction of government funding although

as expected it did not contain necessary detail to enable the council to form a firm opinion on the funding available for the forthcoming four years.

6. With that in mind this report sets out the high level announcements and highlights in bold the key areas as seen at the moment.
7. The overall cut being applied to Local Government Departmental Expenditure Limit (DEL) is 46% in cash terms or 56% in real terms, but when business rates is added in at the retention target the cut is roughly 21% cash or 31% real.
8. Once council tax is added in as well the Treasury is forecasting that the local government spending will be higher in cash terms in 2019-20 than it is in the current financial year (albeit only by £0.2bn). **This prediction is based on the assumption that council tax is increased by the maximum in every authority and there is 0.75% p.a. underlying growth.**
9. The impact on districts looks to be severe and they are the big losers from the announcement unless there is some mitigation in coming settlements. **There is a decided shift in funding towards social care and upper tier authorities.**

## **New Homes Bonus**

10. There are proposals to **reduce the funding for New Homes Bonus by £800m**, which is a cut of about two-thirds. The **current allocation of NHB is about £1.2bn**. The Government is going to be consulting on reform, and we will get further detail in a consultation alongside the Settlement in December.
11. Many district councils – particularly in the south-east of England – will be significant losers. For these councils the period over which current funding commitments will be tapered will be important. **The suggestion that there will be a floor to protect councils suggests that the tapering may be rapid.**
12. The assumption is that the cuts to New Homes Bonus will start in 2017-18 though this is not certain. Partly this is because we assume that the DCLG will not want to hold a rushed consultation which affects 2016-17 (although of course they might), and partly it is because the funding from NHB savings is only required from 2017-18 onwards. **It is suggested that the savings arising from the reduction in NHB will be used to fund social care.**

13. It is currently not clear how a reformed NHB might work. For instance, paragraph 1.242 of the announcement says that the Government is considering “reducing the length of payments from 6 years to 4 years”. Whilst this might imply a reduction of only one-third, it might be that the reward for each new dwelling is reduced (or “sharpened”) so that the Government is able to remove the £800m from the total. **Uttlesford does well from the work to bring homes back into use, it would appear this part of NHB may cease.**

14. According to a CIPFA comment

‘The NHB change sees shire districts losing 39% over the period with fire losing 32% and others closely matched in the 25% to 28% range. The largest cut is 51% (Uttlesford in Essex).’

15. What this looks like in terms of funding from 2015/16 to 2020/21 **could** be in terms of a freeze in 2016/17 and a two thirds reduction in current NHB from 2017/18:

£,000	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	714	714				
	534	534	534			
	794	794	794	794		
	835	835	835	835	835	
	721	721	721	721	721	721
		690	690	690	690	690
			622	622	622	622
				989	989	989
					1,295	1,295
						1,308
Total	3,598	4,288	4,196	4,651	5,152	5,625
Possible	3,598	3,598	1,199	1,199	1,199	1,199
Deficit	0	690	2,997	3,452	3,953	4,426

## Business Rates

16. The proposal that councils can retain 100% business rates was previously announced and this was confirmed in the Autumn Statement and there will be

a consultation next year. There was an indication of some of the services that could be transferred over to local government in return for 100% retention. **The main one of these was the potential for funding of Housing Benefit for pensioners to be transferred to the council.** It seems reasonable to assume we will not be significantly better off under the new scheme.

## Reserves

17. The proposals to tax reserves or force authorities to use their reserves have not materialised. Instead **authorities are being “encouraged” to use their reserves to manage change.**

## Other items

18. There was no mention of any funding for past or future council tax freezes.
19. The general council tax referendum limit was not mentioned, though the statement that "from next April, police forces will be able to increase the amount they require from council tax collections by 2%" provides some idea of Government's thinking on what will be the referendum limit.
20. The doubling of small business rate relief will be extended for an additional 12 months

## Next steps

21. The local government finance settlement provisional announcement will be made this month and that will set out funding for 2016/17 and will start the consultation on changes to NHB. It may also have more information at this point around the consultation on Business Rates retention.
22. A member briefing will be held on the evening of 11 January 2016.
23. The budget strategy for 2016/17 will be presented to Cabinet on 12 January 2016.

## Risk Analysis

None – this item is for noting only.