



**Name of meeting:** Cabinet December 15<sup>th</sup> 2015

**Title of report:** The Government's Spending Review and Autumn Statement 2015

<b>Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	No
<b>Is it in the <a href="#">Council's Forward Plan</a>?</b>	No
<b>Is it eligible for "call in" by <a href="#">Scrutiny</a>?</b>	No
<b>Date signed off by <a href="#">Director</a> &amp; name</b>	David Smith, November 2015
<b>Is it signed off by the Director of Resources?</b>	Yes
<b>Is it signed off by the Assistant Director – Legal, Governance &amp; Monitoring?</b>	No legal implications
<b>Cabinet member <a href="#">portfolio</a></b>	Resources

**Electoral [wards](#) affected:** All  
**Ward councillors consulted:** None  
**Public or private:** Public

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**1. Purpose of report**

- 1.1 To inform Cabinet of the Chancellor of the Exchequer's Autumn Statement and the outcome of the Government's Comprehensive Spending Review.

## **2. Key points**

### **2.1 Background**

2.1.1 National government's policy on reducing the national debt burden through significant public expenditure reductions has had a significant impact on Council funding; both over the lifetime of the previous parliament and further anticipated funding reductions over the lifetime of the current parliament.

2.1.2 The Council has planned for and achieved savings of £83m between 2011-15, and last year's budget strategy update report indicated a further savings requirement of £69m over the 2015-18 period; £152m in total over 2011-18.

2.1.3 In view of the continued scale of national funding reductions over the 2015-18 period, the Council's MTFP has been informed in particular by the aim of delivering options for re-shaping to a New Council, guided by the Council's two strategies; Economic Strategy and Health & Wellbeing strategy, to achieve the following :

- i) the Council will use available resources to best effect/support the Council's priorities, and
- ii) the Council can live within its means for the foreseeable future

### **2.2 Public Finances**

2.2.1 National Debt as a proportion of national income is expected to be

2015/16 82.5%  
2016/17 81.7%  
2017/18 79.9%  
2018/19 77.3%  
2019/20 74.3%

2.2.2 The deficit as a proportion of national income will fall

2015/16 3.9%  
2016/17 2.5%  
2017/18 1.2%  
2018/19 0.2%

2.2.3 Borrowing will fall

2015/16 £73.5 billion  
2016/17 £49.9 billion  
2017/18 £24.8 billion  
2018/19 £4.6 billion  
2019/10 £10.1 billion surplus

## **2.3 Welfare Reform**

- 2.3.1 At national level, the Government is committed to £12 billion of welfare savings. Changes to tax credits prior to the introduction of universal credit will now not take place, but a lower welfare cap set at the Budget remains.
- 2.3.2 The rate of Housing Benefit in the social sector will be capped at the relevant local housing allowance – in other words, the same rate paid to those in the private rented sector who receive the same benefit. This will apply to new tenancies only. Housing benefit and pension credit will no longer be paid to people who have left the country for more than a month..

## **2.4 Departmental Spending**

- 2.4.1 Government spending in relation to national income will fall from 45% to 36.5 by 2019/20. Real term cuts are 0.8% on average compared to 2% under the last Parliament. The Chancellor has set four objectives

“First – to develop a modern, integrated, health and social care system that supports people at every stage of their lives.

Second - to spread economic power and wealth through a devolution revolution and invest in our long term infrastructure.

Third – to extend opportunity by tackling the big social failures that for too long have held people back in our country.

Fourth – to reinforce our national security with the resources to protect us at home and project our values abroad.”

- 2.4.2 For the NHS £22 billion of savings are planned with an injection of £10 billion most of this in the early years. The Chancellor commented that

“..the health service cannot function effectively without good social care.

The truth we need to confront is this: many local authorities are not going to be able to meet growing social care needs unless they have new sources of funding.

That, in the end, comes from the taxpayer.

So in future those local authorities who are responsible for social care will be able to levy a new social care precept of up to 2% on council tax.

The money raised will have to be spent exclusively on adult social care – and if all authorities make full use of it, it will bring almost £2 billion more into the care system.

It’s part of the major reform we’re undertaking to integrate health and social care by the end of this decade.

To help achieve that I am today increasing the Better Care Fund to support that integration, with local authorities able to access an extra £1.5bn by 2019-20.

The steps taken in this Spending Review mean that by the end of the Parliament, social care spending will have risen in real terms.”

A 2% rise in Council Tax would bring in approximately £2.9 million for Kirklees if we chose to levy this. It is not 100% clear, but it appears that this would be an annual uplift ie in year 2 we could raise council tax by another 2% raising £6 million. It is also unclear what conditions are necessary for the precept to qualify ie do we need to maintain adult social care spend at a specific level.

## **2.5 Local Government Finance**

- 2.5.1 The Chancellor has confirmed that he intends to abolish the uniform business rate. Allowing Council's to reduce the rate and Regional Mayors to raise the rate by a restricted amount and with the agreement of the local business community. Because the amount of business rates is rising and revenue support grant is being cut, the Government will phase out grant and also give Council's more responsibilities. These are likely to include housing benefit administration and public health both of which are currently funded through specific grants.
- 2.5.2 Council's will be encouraged to sell assets and draw on reserves to fund reforms. The Government will require us to publish details of our land and property assets on the government's electronic Property Management Information system. They also intend to strengthen existing legislation around Right to Contest to allow local communities to challenge the use of land and property that is in use by local authorities, not just property that is empty or under-used, where these assets could be made surplus and put to better use.
- 2.5.3 By counting the increase in local council tax income and the cut in grant, the Chancellor believes that Council's will be spending the same in cash terms as now. Inflation over the last five years has been about 15% - the forecast for the next five is 9%. It is anticipated that the Secretary of State will announce the Revenue Support Grant draft settlement around the 16<sup>th</sup> December 2015. This will give detail figures for each authority. Our current assumption is that Kirklees figures will be broadly in line with the draft Budget book published in October.
- 2.5.4 The Government also plans a review of New Homes Bonus, shortening the period of payment from 6 to 4 years (and therefore reducing the amount). This will include a preferred option for allocating the consequent savings of at least £800 million for social care. Details of the consultation will be set out in the Local Government Finance Settlement.
- 2.5.4 The support to small businesses through the rate relief scheme will continue for another year.

## **2.6 Schools**

- 2.6.1 The Government aspiration is for all secondary schools and sixth form colleges to become academies and to that end they are cutting Education Support Grant paid to LEAs by £600 million in anticipation of “making local authorities running schools a thing of the past”. We currently receive some £5 million per annum this is treated as an unringfenced grant and not allocated to individual services. The cut at national level represents about 75% of the existing grant and so pro-rata our loss would be £3.75 million. It is not yet clear when the start date for

this cut will be, especially if the removal of statutory duties is involved. The Government will consult on removing a number of statutory duties. Funding for free infant school meals will continue, as will pupil premium. The schools funding formula will be reformed.

## **2.7 Local Growth**

2.7.1 The Local Growth Fund will continue. 26 new Enterprise Zones will be created including a Leeds City Region Zone – which covers two sites in Kirklees at Lindley Moor and Moor Park, Mirfield.

## **2.8 Apprenticeship levy**

2.8.1 Large employers including the Council will pay a 0.5% payroll levy to fund apprenticeships. We estimate a cost to Kirklees of £800,000 a year from 2017/18. It is not clear yet whether there could be any offsetting of the cost of existing apprenticeship schemes or by taking on new apprentices.

## **2.9 Housing**

2.9.1 The focus of the Government's approach is on building affordable homes for sale to

- Deliver 400,000 affordable housing starts by 2020/21 including
  - 200,000 starter homes sold at a discount to first time buyers, 60,000 to be delivered with a £2.3 billion fund and the remainder through reform of the planning system
  - 135,000 Help to Buy shared ownership homes – the scheme will be open to all households earning less than £80,000 outside London and £90,000 in London, and the Government will relax and remove previous restrictions such as local authorities' rights to set additional eligibility criteria.
  - 10,000 homes that will allow tenants to save for a deposit while they rent.
  - At least 8,000 specialist homes for older people and people with disabilities.

A proportion share for Kirklees of these projected numbers of affordable homes would be 1,500 starter homes, 1,000 Help to Buy shared ownership, 78 rent deposits and 62 specialist homes

2.9.2 The Government has confirmed plans to extend the Right to Buy to Housing Association tenants and is launching a pilot with five Housing Associations, to inform the design of the final scheme.

2.9.3 It also plans to accelerate supply by further changes to planning, releasing Government land for sale, and offering £2.3 billion in loans to help regenerate large council estates and other infrastructure to assist housing development.

2.9.4 Help to Buy will be extended to 2021 and a more generous London scheme will be launched.

2.9.5 Higher rates of Stamp Duty will be imposed on purchases of additional residential property, such as buy to let properties and second homes, with effect from April 2016.

### **3. Consultees and their opinions**

This report is based on consultation with the Council's Directors Group and Cabinet Members.

### **4. Next steps**

The detailed Local Government Settlement is expected around 16<sup>th</sup>/17<sup>th</sup> December 2015.

Cabinet will bring forward detailed budget proposals in the New Year, for consideration at full Council in February 2015.

### **6. Officer recommendations and reasons**

6.1 That Cabinet note the Chancellor's proposals.

### **7. Cabinet portfolio holder recommendation**

Cabinet portfolio holders agree with the recommendation

### **8. Contact officer and relevant papers**

Debbie Hogg,  
Assistant Director, Financial Management, Risk & Performance

Eamonn Croston, Strategic Council Finance Manager

### **9. Director responsible**

David Smith, Director of Resources

### **10. Background Papers**

Spending Review and Autumn Statement 2015 – Chancellor of the Exchequer.