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Autumn Statement 2016

23 November 2016

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1. Introduction

- 1.1. The Chancellor of the Exchequer made his 2016 Autumn Statement to the House of Commons on 23 November 2016. This briefing note provides an overview of the announcement, with emphasis on areas relevant to the public sector, and, more specifically, local government.
- 1.2. The Autumn Statement documents can be accessed via the HM Treasury website [here](#). The Economic and Fiscal Outlook published alongside the Budget by the Office of Budget Responsibility can be accessed [here](#).
- 1.3. This briefing note initially considers Autumn Statement 2016 announcements, before analysing wider Economic Forecasts.

2. Autumn Statement 2016

2.1 Announcements relevant to local government within the Autumn Statement 2016 are summarised below.

Government Spending

2.2 The Chancellor has announced that the government has abandoned its commitment to reduce public sector net borrowing to a surplus by the end of this Parliament. It is now planning for a deficit of £21.9bn in 2019/20, compared to the surplus of £10.4bn planned for at Budget 2016, an increase in public sector net borrowing for 2019/20 of £32.3bn.

2.3 The Chancellor stated that the government is committed to the overall plans for departmental resource spending until 2019/20, which were set out at Spending Review 2015. Departmental resource spending will grow with inflation in 2020/21 and 2021/22.

2.4 The Chancellor announced that he is today publishing a new draft Charter for Budget Responsibility, with three new fiscal rules:

- Borrowing should be below 2% by the end of this Parliament;
- Public sector net debt as a share of GDP must be falling by the end of this Parliament;
- Welfare spending must be within a cap, set by the government at AS 2016 and monitored by the Office for Budget Responsibility (OBR).

2.5 The Chancellor stated that the new fiscal framework is intended to provide the opportunity for additional investment in the productive capacity of the UK economy, the centrepiece of which is a new National Productivity Investment Fund (NPIF), which will provide for £23 billion of spending between 2017/18 and 2021/22. This fund will provide additional support in order to:

- Accelerate new housing supply;
- Tackle congestion on the roads;
- Support the market to roll out full-fibre connections and future 5G communications;
- Enhance the UK's position as a world leader in science and innovation.

2.6 The Autumn Statement sets out the priority areas and levels of funding up until 2020/21 across the four areas identified; but specific projects will only be decided in the future. The funding available across the four areas is £2.4bn in 2017/18; £3.8bn in 2018/19; £5.0bn in 2019/20; and £5.5bn in 2020/21. A further £7bn will be available in 2021/22.

Business Rates

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

- From April 2017, there will be 100% business rates relief on investment in new fibre;
- From April 2017, rural rate relief will be increased to 100%;
- The projected costs of these two measures will be £10m in 2017/18, rising to an annual cost of £20m by 2020/21;
- The government has confirmed in its response on the consultation on transitional arrangements that the transitional relief cap under business rates revaluation will be lowered. This response is available [here](#).

2.8 The government has not stated whether local authorities will be provided with s31 grant to compensate for the rate relief reforms; but, on the basis of past decisions, it would be expected that they would do so.

Regions

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

- The government will award £1.8bn to Local Enterprise Partnerships (LEPs) across England through a third round of Growth Deals. £556m of this will go to the North of England, £392m to the Midlands, £151m to the East of England, £492m to London and the South East, and £191m to the South West. Awards to individual LEPs will be announced in the coming months;
- The government will give mayoral combined authorities powers to borrow for their new functions, which will allow them to invest in economically productive infrastructure, subject to agreeing a borrowing cap with HM Treasury;
- The government will also consult on lending local authorities up to £1bn at a new local infrastructure rate of gilts + 60 basis points for three years, to support infrastructure projects that are high value for money;
- The government has published a strategy setting out an overall approach to building the Northern Powerhouse, through addressing the key barriers to productivity that the region faces. The strategy is available [here](#). The government will also publish a Midlands Engine strategy shortly;

- The government has also confirmed the Greater London Authority's (GLA) affordable housing settlement, under which the GLA will receive £3.15bn to deliver over 90,000 housing starts by 2020-21, and will devolve the adult education budget to London from 2019-20 (subject to readiness conditions).

Other measures announced

2.10 Housing. The government announced:

- A Housing Infrastructure Fund – a new Housing Infrastructure Fund of £2.3bn by 2020-21, funded by the NPIF and allocated to local government on a competitive basis. It is intended that this will deliver up to 100,000 new homes;
- Affordable homes – the government will relax restrictions on grant funding to allow providers to deliver a mix of homes for affordable rent and low cost ownership. The NPIF will provide an additional £1.4bn to deliver an additional 40,000 housing starts by 2020-21;
- Right to Buy – The government will fund a large-scale regional pilot of the Right to Buy for housing association tenants. Over 3,000 tenants will be able to buy their own home with Right to Buy discounts under the pilot.

2.11 The government will increase the National Living Wage (NLW) by 4.2% from £7.20 to £7.50 from April 2017.

2.12 This will be the last Autumn Statement. There will be no Autumn Statement in 2017 and beyond.

3. Economic Forecasts

3.1 Table 3.1 provides a summary of the economic data and forecasts of relevance to local government, which have been published as part of today's Autumn Statement.

GDP Growth

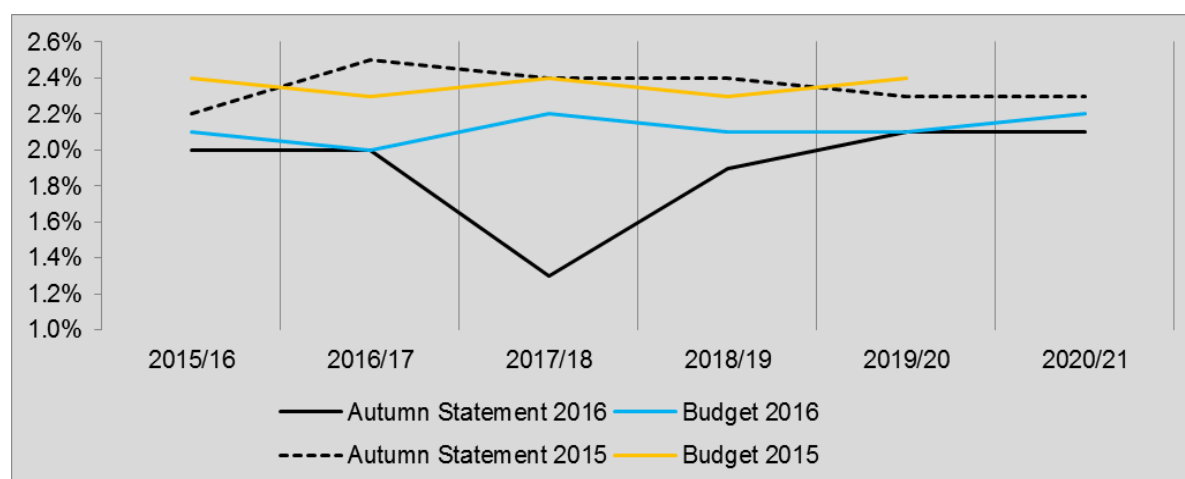
3.2 The table below shows the GDP growth forecasts published today against those published in previous announcements. The table shows that the forecast of UK economic growth in 2016/17 has remained at 2.0%.

3.3 Figures show some revisions downwards throughout the period - from 2.2% to 1.3% in 2017/18, from 2.1% to 1.9% in 2018/19, unchanged in 2019/20 and from 2.2% to 2.1% in 2020/21.

Table 3.1 GDP Growth Forecasts

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Autumn Statement 2016	2.0%	2.0%	1.3%	1.9%	2.1%	2.1%
Budget 2016	2.1%	2.0%	2.2%	2.1%	2.1%	2.2%
Autumn Statement 2015	2.2%	2.5%	2.4%	2.4%	2.3%	2.3%
Budget 2015	2.4%	2.3%	2.4%	2.3%	2.4%	-

Figure 3.1 GDP Growth Forecasts



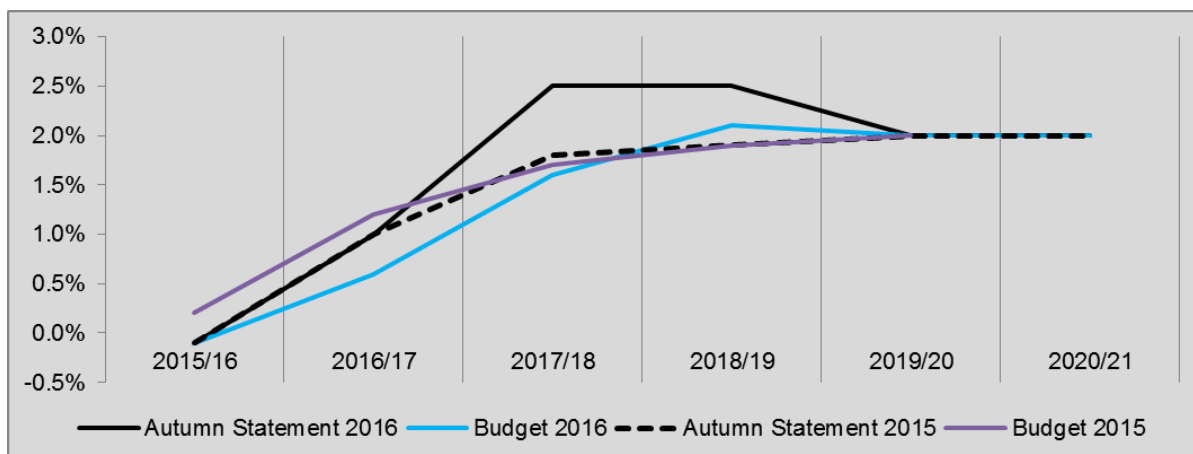
Inflation - CPI

3.4 Table 3.2 shows the CPI inflation forecasts published today against those published in previous announcements. The table shows increases to the level of CPI projected from 0.6% to 1.0% in 2016/17, from 1.6% to 2.5% in 2017/18 and from 2.1% to 2.5% in 2018/19.

Table 3.2 CPI Inflation Forecasts

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Autumn Statement 2016	-0.1%	1.0%	2.5%	2.5%	2.0%	2.0%
Budget 2016	-0.1%	0.6%	1.6%	2.1%	2.0%	2.0%
Autumn Statement 2015	-0.1%	1.0%	1.8%	1.9%	2.0%	2.0%
Budget 2015	0.2%	1.2%	1.7%	1.9%	2.0%	-

Figure 3.2 CPI Inflation Forecasts



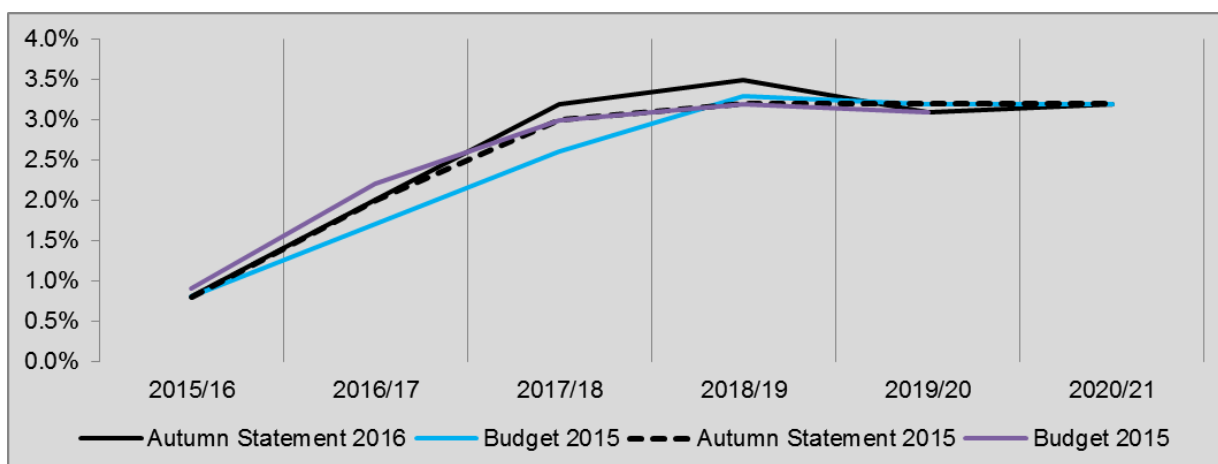
Inflation - RPI

3.5 Table 3.3 shows the RPI inflation forecasts published today against those published in previous announcements. The table shows increases in the level of RPI projected for the next three years from 1.7% to 2.0% in 2016/17, from 2.6% to 3.2% in 2017/18 and from 3.3% to 3.5% in 2018/19.

Table 3.3 RPI Inflation Forecasts

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Autumn Statement 2016	0.8%	2.0%	3.2%	3.5%	3.1%	3.2%
Budget 2016	0.8%	1.7%	2.6%	3.3%	3.2%	3.2%
Autumn Statement 2015	0.8%	2.0%	3.0%	3.2%	3.2%	3.2%
Budget 2015	0.9%	2.2%	3.0%	3.2%	3.1%	-

Figure 3.3 RPI Inflation Forecasts



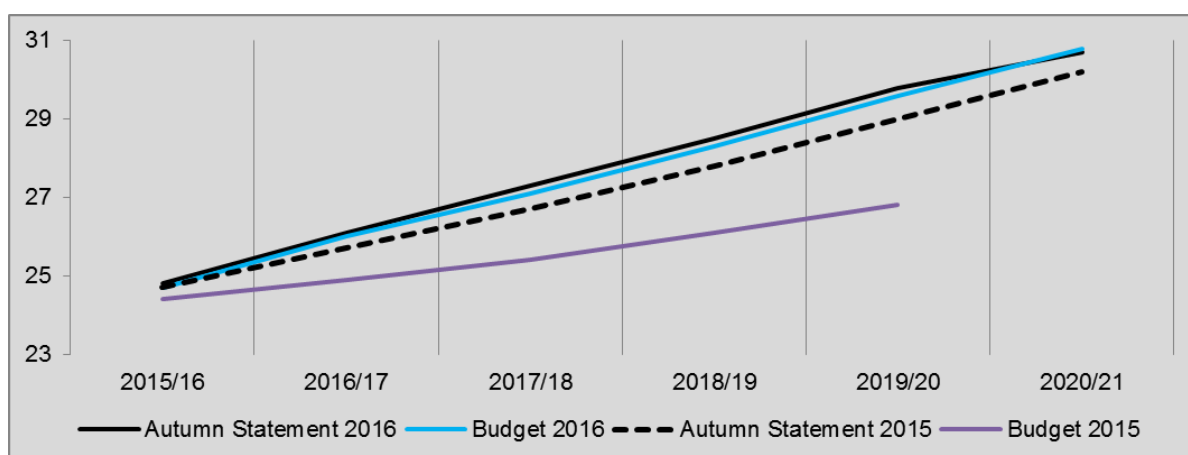
Projected receipts from council tax

3.6 Table 3.4 shows the forecast projected receipts from Council Tax for England, published as part of the supplementary fiscal tables, against those published in previous announcements. For Autumn Statement 2016, the updated figures show increases of between £0.1bn and £0.2bn per annum between 2015/16 and 2019/20, but a decline of £0.1bn in 2020/21.

Table 3.4 Projected receipts from Council Tax (£bn)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Autumn Statement 2016	24.8	26.1	27.3	28.5	29.8	30.7
Budget 2016	24.7	26.0	27.1	28.3	29.6	30.8
Autumn Statement 2015	24.7	25.7	26.7	27.8	29.0	30.2
Budget 2015	24.4	24.9	25.4	26.1	26.8	-

Figure 3.4 Projected Receipts from Council Tax (£bn)



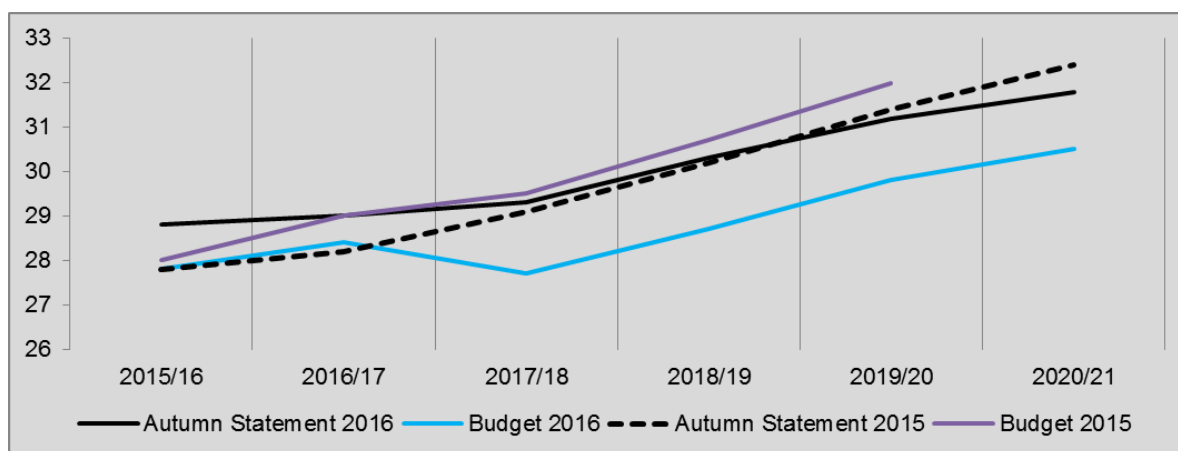
Projected receipts from business rates

- 3.7 Table 3.5 shows the forecast projected receipts from business rates published today against those published in previous announcements. For Autumn Statement 2016, there are increases in receipts for business rates in 2015/16 from £27.8bn to £28.8bn; with increases in all future years of between a low of £0.6bn in 2016/17 to a high of £1.6bn in 2017/18 and 2018/19. The OBR explains the increase in 2015/16 is due to revisions by the ONS for Scotland (and which increases receipts in future years); and that increases for RPI have increased the levels of business rates receipts by £0.3bn by 2020/21.

Table 3.5 Projected receipts from business rates (£bn)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Autumn Statement 2016	28.8	29.0	29.3	30.3	31.2	31.8
Budget 2016	27.8	28.4	27.7	28.7	29.8	30.5
Autumn Statement 2015	27.8	28.2	29.1	30.2	31.4	32.4
Budget 2015	28.0	29.0	29.5	30.7	32.0	-

Figure 3.5 Projected receipts from business rates (£bn)



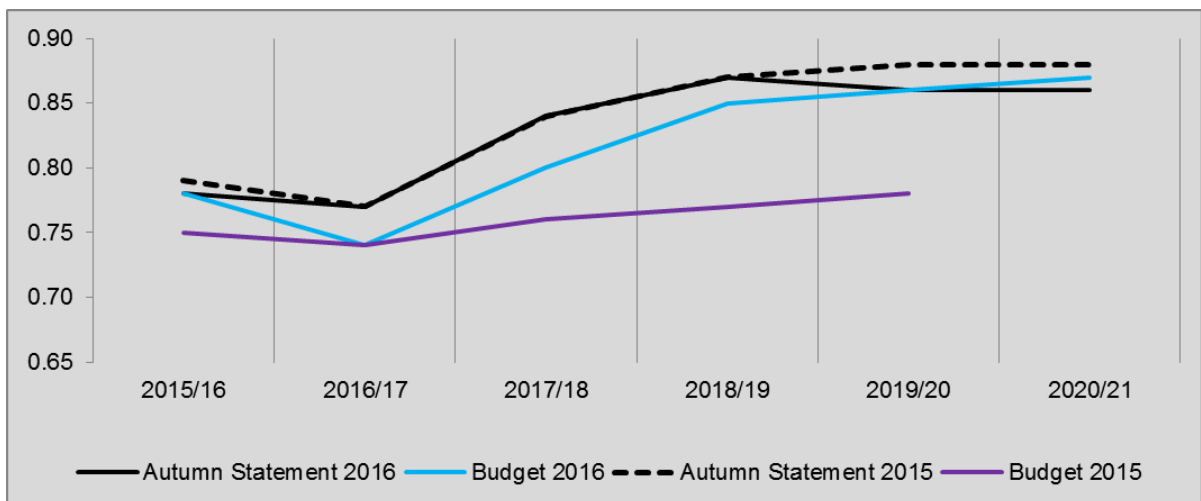
Claimant count

3.8 Table 3.6 shows the forecast claimant numbers published today against those published in previous announcements. For Autumn Statement 2016, there has been small upward revisions in the projected levels of claimants for 2016/17 to 2019/20 with a slight decline in 2020/21.

Table 3.6 Claimant count (millions)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Autumn Statement 2016	0.78	0.77	0.84	0.87	0.86	0.86
Budget 2016	0.78	0.74	0.80	0.85	0.86	0.87
Autumn Statement 2015	0.79	0.77	0.84	0.87	0.88	0.88
Budget 2015	0.75	0.74	0.76	0.77	0.78	-

Figure 3.6 Claimant count (millions)



Further Support

- 4.1 If you have any queries regarding the contents of this briefing note please contact Lee Geraghty at lee.geraghty@lgfutures.co.uk or by calling 07738 000 368.