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Autumn Budget 2017

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1. Introduction

- 1.1. The Chancellor of the Exchequer presented his Autumn 2017 Budget, his second Budget of 2017, to the House of Commons on 22 November 2017. 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 Budget 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 Budget 2017 announcements, before analysing the wider Economic Forecasts.

2. Autumn Budget 2017

2.1 Announcements relevant to local government within Autumn Budget 2017 are summarised below.

Government Spending

2.2 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.

2.3 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.

2.4 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.

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

Business Rates

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

- From April 2018, CPI will be used to update 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.

2.7 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).

2.8 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.

2.9 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

2.10 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

2.11 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

2.12 **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.

2.13 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.

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 by the Office of Budget Responsibility (OBR) as part of today’s Budget.

GDP Growth

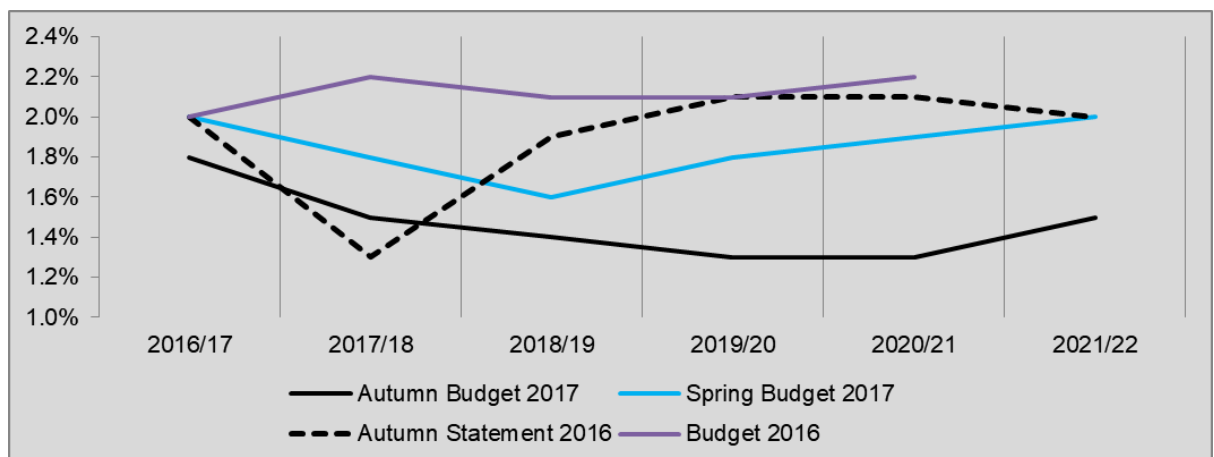
3.2 The table below shows the GDP growth forecasts published today against those published in previous announcements. The table shows that growth for the current and future years has been reduced by between 0.3% and 0.5% per annum for the period up to 2021/22.

3.3 Figures show an initial revision downwards in 2017/18 - from 1.8% to 1.3% in 2017/18; with further revisions down in the years thereafter from 1.6% to 1.4% in 2018/19; from 1.8% to 1.3% in 2019/20; and from 1.9% to 1.5% in 2020/21. All the forecasts are significantly down by at least 0.7% per annum on Budget 2016, which preceded the referendum result on Brexit.

Table 3.1 GDP Growth Forecasts

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	1.8%	1.5%	1.4%	1.3%	1.5%	1.5%
Spring Budget 2017	2.0%	1.8%	1.6%	1.8%	1.9%	2.0%
Autumn Statement 2016	2.0%	1.3%	1.9%	2.1%	2.1%	2.0%
Budget 2016	2.0%	2.2%	2.1%	2.1%	2.2%	-

Figure 3.1 GDP Growth Forecasts



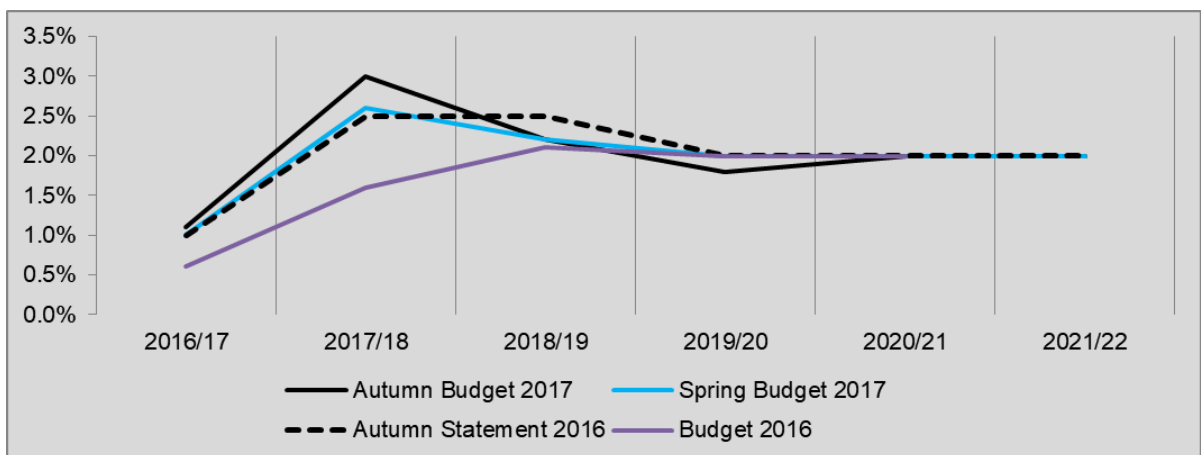
Inflation - CPI

- 3.4 The table below shows the forecasts for CPI published today against those published in previous announcements. The table shows that CPI for the current and future years has only been increased in 2017/18.
- 3.5 Figures show very little overall change, with an increase of 0.4% in projected CPI in 2017/18 and then unchanged CPI for three of the next four years.

Table 3.2 CPI Inflation Forecasts

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	1.1%	3.0%	2.2%	1.8%	2.0%	2.0%
Spring Budget 2017	1.0%	2.6%	2.2%	2.0%	2.0%	2.0%
Autumn Statement 2016	1.0%	2.5%	2.5%	2.0%	2.0%	2.0%
Budget 2016	0.6%	1.6%	2.1%	2.0%	2.0%	-

Figure 3.2 CPI Inflation Forecasts



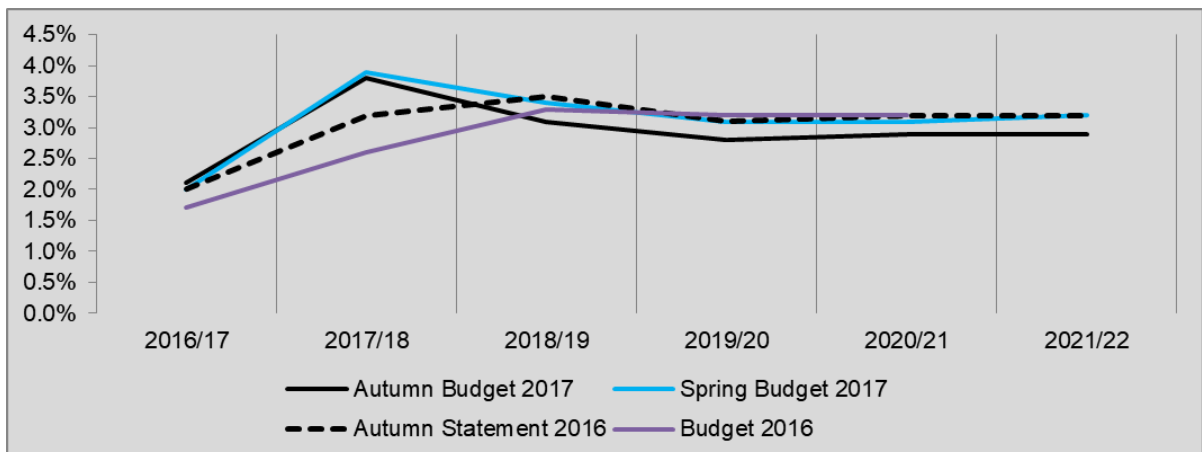
Inflation - RPI

- 3.6 The table below shows the forecasts for RPI published today against those published in previous announcements. The table shows that forecasts for RPI for the current and future years have been reduced.
- 3.7 The table shows a decrease in the level of RPI projected for 2017/18, from 3.9% to 3.8%; and, subsequently, projections reduced by between 0.2% and 0.3% for the period up to 2021/22.

Table 3.3 RPI Inflation Forecasts

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	2.1%	3.8%	3.1%	2.8%	2.9%	2.9%
Spring Budget 2017	2.0%	3.9%	3.4%	3.1%	3.1%	3.2%
Autumn Statement 2016	2.0%	3.2%	3.5%	3.1%	3.2%	3.2%
Budget 2016	1.7%	2.6%	3.3%	3.2%	3.2%	-

Figure 3.3 RPI Inflation Forecasts



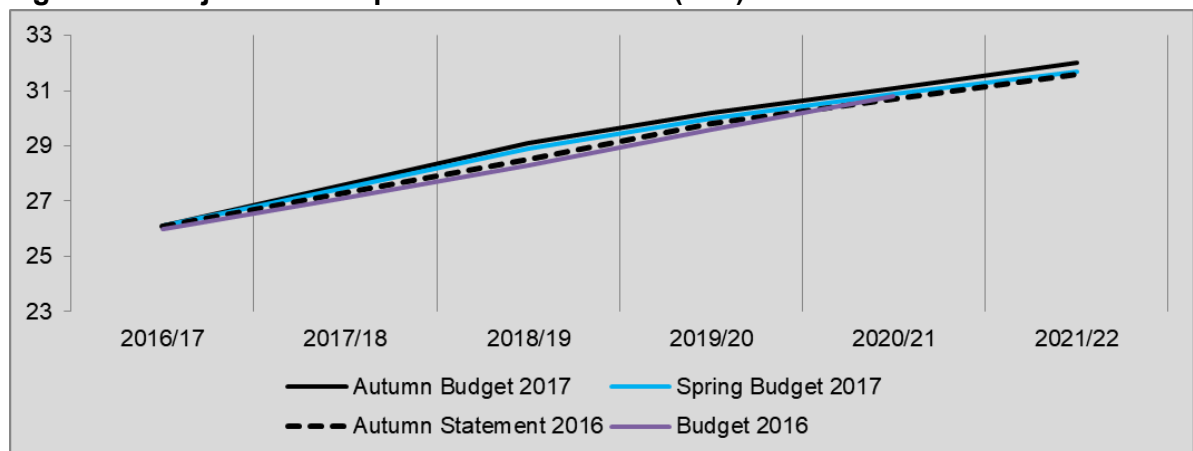
Projected receipts from council tax

- 3.8 Table 3.4 below 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 Budget 2017, the updated figures show increases of between £0.1bn and £0.3bn per annum between 2017/18 and 2021/22 compared to the Budget in March.
- 3.9 Within the supplementary tables, the assumed level of increase in the taxbase falls from 1.8% in 2017/18 to 1.0% in 2021/22. This compares to an estimated assumed growth of 2.1% per annum made by DCLG at Final Settlement 2017/18 in February 2017. Increases in council tax are assumed at 2.4% for 2019/20 and 1.9% in 2020/21 and 1.9% in 2021/22.

Table 3.4 Projected receipts from Council Tax (£bn)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	26.1	27.6	29.1	30.2	31.1	32.0
Spring Budget 2017	26.1	27.5	28.9	30.0	30.9	31.7
Autumn Statement 2016	26.1	27.3	28.5	29.8	30.7	31.6
Budget 2016	26.0	27.1	28.3	29.6	30.8	-

Figure 3.4 Projected Receipts from Council Tax (£bn)



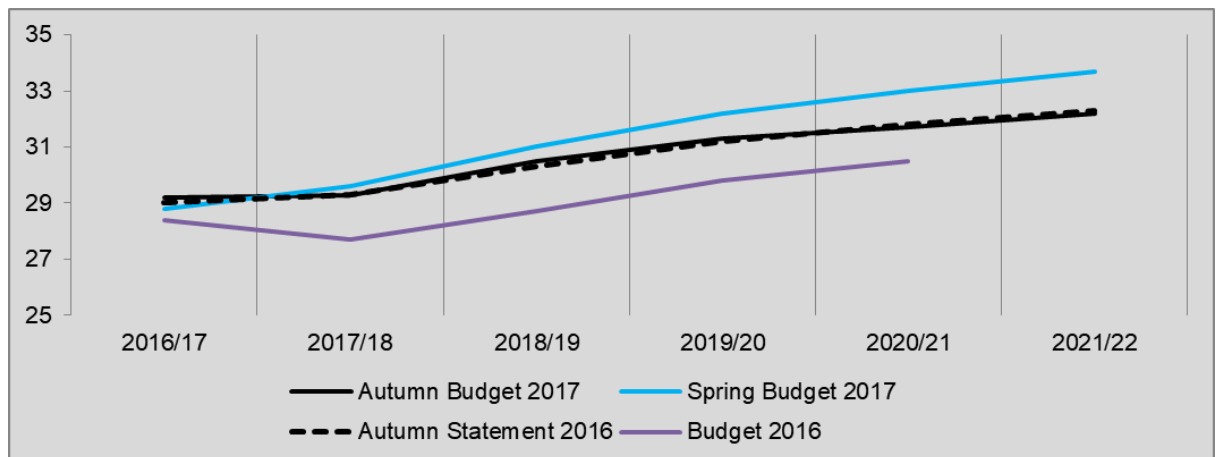
Projected receipts from business rates

- 3.10 Table 3.5 below shows the forecast projected receipts from business rates published today against those published in previous announcements. For Autumn Budget 2017, although income for 2016/17 is shown to be £0.4bn higher, there are decreases in receipts for business rates projected by between £0.3bn in 2017/18 to £1.5bn in 2021/22.
- 3.11 The OBR explains that the use of CPI instead of RPI could reduce income by up to £0.3bn in 2018/19 and by £0.5bn per annum from 2019/20 onwards. The OBR also states that their forecast allows for the erosion of income from reductions to the 2017 Valuations, but adds that they will need to update assumptions on the impact of this over the coming years.

Table 3.5 Projected receipts from business rates (£bn)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	29.2	29.3	30.5	31.3	31.7	32.2
Spring Budget 2017	28.8	29.6	31.0	32.2	33.0	33.7
Autumn Statement 2016	29.0	29.3	30.3	31.2	31.8	32.3
Budget 2016	28.4	27.7	28.7	29.8	30.5	-

Figure 3.5 Projected receipts from business rates (£bn)



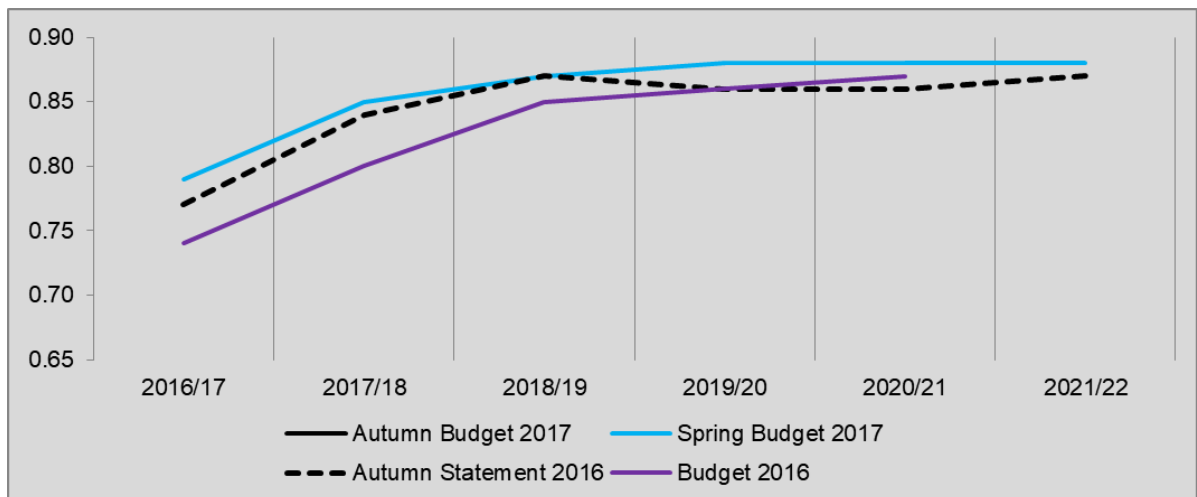
Claimant count

3.12 Table 3.6 shows the forecast claimant numbers published in previous announcements. For Autumn Budget 2017, the OBR has not provided an update of claimant numbers in the same way as it has done in previous Budgets and Autumn Statements.

Table 3.6 Claimant count (millions)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	n/r	n/r	n/r	n/r	n/r	n/r
Spring Budget 2017	0.79	0.85	0.87	0.88	0.88	0.88
Autumn Statement 2016	0.77	0.84	0.87	0.86	0.86	0.87
Budget 2016	0.74	0.80	0.85	0.86	0.87	-

Figure 3.6 Claimant count (millions)



4. Further Support

- 4.1 If you have any queries regarding the contents of this briefing note, please contact Rupert Dewhirst at rupert.dewhirst@lgfutures.co.uk or by calling 07775 428 145.