The Spending Review and Autumn Statement: summary and analysis

This briefing outlines some of the key announcements in the Chancellor’s Autumn Statement and Spending Review, and Locality’s analysis on how what the impact is likely to be on our members and on the people our members work with.

The Office of Budget Responsibility’s latest forecast, calculated ahead of yesterday’s Autumn Statement and Spending Review, gave the Chancellor an additional £27 billion to play with - due to higher than previously expected tax revenues and lower debts. This meant he could avoid making some of the cuts that had been predicted - including cuts to tax credits and the police - and put additional funding into housing, the NHS, and the arts.

There were however some very substantial cuts - including within the £12 billion welfare savings. Other announcements included more powers to local government to raise money for social care and selling off of government assets.

This briefing includes more detail on:

- New funding for some charities and new social impact bonds
- Changes and cuts to local government
- Welfare and benefit changes
- NHS, social care, and public health funding
- Housing announcements
- Next steps for Locality

Much of the detail on the Chancellor’s announcements, and the impact they will have, is yet to emerge. We will continue to keep a watchful eye on this and will keep you updated on developments.

Big Lottery saved and more funding for Arts, Culture, Sport and Women’s charities

Despite a widely trailed raid to the Big Lottery Fund - the Chancellor said in his speech that this would not be the case. This climb down came after sustained lobbying efforts from across the sector. Locality was briefing MPs earlier this week on the huge importance of the BLF to community organisations and the people they serve. Funding to Arts, Culture, Sport and Women’s charities includes:

- A commitment to the same level of funding as today for Arts, Culture and Sport sectors in 2019-20
- A £15 million annual fund for women’s charities including the Eve Appeal, SafeLives, Women’s Aid and The Haven - this will be paid for through VAT on sanitary products whilst the government “makes the case in the EU for a zero rate of VAT”.

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The Chancellor also announced £20 million work of new Social Impact Bonds for next year - to focus on homelessness, mental health and youth unemployment. Whilst new investment is welcome, we know that SIBs in particular can be inaccessible and inappropriate for community organisations and will continue to lobby for more balance funding.

We are working on plans to publish a report next year on the future of social investment and alternative forms of funding that brings together our members experience of different models of financing and makes a set of recommendations.

**Local government and devolution**

In his speech the Chancellor spoke about “handing power back to local communities” - however there was a disappointing lack of commitment to ensuring that devolution will strengthen neighbourhood governance.

Funding to local government has also been massively cut through this Budget. The statement outlines ambitions to make local governments “self-sufficient by the end of the Parliament,” but increased powers to local government are accompanied by substantial losses in funding.

The LGA have produced a useful summary of the extent of these cuts - the key figure is that core central government funding to local government will fall by 24% in real terms over the Spending Review period. This comes largely from the phase out of the local government revenue support grant.

The LGA warn of massive holes in local government budgets and say that: “Even if councils stopped filling in potholes, maintaining parks, closed all children’s centres, libraries, museums, leisure centres and turned off every street light they will not have saved enough money to plug the financial black hole they face by 2020.”

**Business rate changes and loss of revenue support grant**

The Budget included more detail on the Chancellor’s announcement, first made last month, that business rates powers will be devolved to local government including:

- Local government will retain all of the revenue, as opposed 50% currently
- Powers to reduce rates to attract businesses and promote growth; powers to raise rates will be restricted to elected mayors, and only with the support of local business community
- This comes alongside a phase out of the local government revenue support grant over the course of this Parliament
- There is no detail yet on whether charitable organisations will remain exempt.

We are concerned that local authorities in more deprived areas will be financially worse off as the local government grant is phased out, as they are less able to raise the higher revenues that more affluent areas with more businesses can.

**New precept for adult social care and loss of public health funding**

Local government is also being given powers to raise council tax by up to 2% to cover the costs of adult social care. It is calculated that this would raise £2 billion a year by 2019-20. However, we are concerned that more deprived areas with higher social care needs will have lower abilities to raise this much needed revenue and the tax burden will fall disproportionately on those areas with the highest need.
The government have also announced savings in local authority public health spending averaging 3.9% over the next five years, and a consultation on how business rates receipts could pay for public health in the future.

Public health funding is spent on services including sexual health, public health nursing, drug and alcohol treatment and NHS health checks. Reductions in these services will put huge pressure on the NHS.

Use of local government reserves

The Chancellor announced that as local authorities had increased their reserves by nearly £10 million over the last Parliament, they would be encouraged to “draw on these reserves as they undertake reforms”.

Whilst this may allow councils more freedom to utilise reserves, this is not a long term or sustainable funding pot and is therefore not a panacea for covering the massive funding shortfalls local government are facing. Those councils with less reserves will also struggle to make use of these new powers.

Local government assets - the big sell off?

The Chancellor announced new measures to ‘encourage and empower’ local government to sell of substantial amounts of their owned assets, to spend the revenue on “delivering more sufficient and sustainable local services”. This includes:

- Strengthening the ‘Right to Contest’ for local authority land and property
- Extend the One Public Estate programme with £31 million to support local authorities to design more efficient asset management strategies
- New best practice guidance on property disposals for local authorities and support for the disposal of local authority sites which could be used for housing.

There is a disappointing lack of commitment to supporting communities to take on the management and ownership of these assets. We will be calling on government to ensure that vital community assets are safeguarded and continue to benefit local people while also boosting the ability of community organisation to deliver public services.

Community assets can only be sold once, and there is a real danger of short term decisions being made by cash strapped councils that will seriously weaken local communities and their ability to develop their own resources to meet the challenges of austerity. The new best practice guidance must include strong guidance on the social value which can be realised from the community ownership of assets.

26 New ‘Enterprise Zones’ - but new funding will mostly benefit private sector

26 new Enterprise Zones were announced, alongside the current LEPs, but the key winners from this will be the private sector and the focus is on gross value added growth. There is also a risk that the rate relief for private sector businesses might actually erode some the competitive advantage from charitable social enterprises.

LEPs are also the chosen vehicle for the Local Growth Fund which has been substantially enhanced to £12bn over five years. The focus of these funds to date has largely been around major infrastructure projects.
Changes to welfare and benefits

**A U-turn on tax credit cuts - but more people brought into ‘job conditionality’ and worrying Housing Benefit caps**

The Chancellor abandoned his proposed cuts to tax credits, following widespread opposition. However, as tax credits are being phased out as more people more onto the Universal Credit system, in the long term **many may still be worse off**.

Other changes in welfare include:

- 1.3 million additional claimants will now be subject to the same ‘job search conditionality’ as those people on Job Seekers Allowance. It’s not yet clear who these claimants will be - but it’s likely to be those on ESA
- Job seekers will be required to attend weekly jobcentre meetings for the first three months and the ‘intensive support element’ of the Help to Work programme has been brought forward
- House Benefit to be capped at Local Housing Allowance rate - including for the Shared Accommodation Rate.

The Autumn Statement also announced a new ‘Work and Health Programme’ for after current Work Programme and Work Choice contracts end, to provide specialist support for claimants with health conditions or disabilities and those unemployed for over two years. There will also be at least £40 million for a health and work innovation fund, to pilot new ways to join up across the health and employment systems.

A white paper setting out reforms to improve support for people with health conditions and disabilities, including the roles of employers, to further reduce the disability employment gap and promote integration across health and employment, is also expected in the New Year.

**Childcare - new funding for providers to reflect costs of childcare**

As well as an extra £6 billion for supporting parents with childcare costs (with conditions around upper income limits) there were also some promising announcements that from 2017-18 the government will “**invest £300 million to increase the average hourly rate childcare providers receive, and at least £50 million of capital funding to create additional places in nurseries.**”

We know that currently the fees paid to many of our members that run nurseries does not meet the cost of providing the service, so this additional funding could go some way in addressing this. We would be interested in hearing from members on the difference this might make to the services you provide, and clearly the impact will be in how this money is distributed.

**Health**

**The NHS gets its frontloaded funding - but lack of focus on prevention and social care**

The Autumn Statement and Spending Review commits to a “£10 billion real terms increase in NHS funding in England between 2014-15 and 2020-21 of which £6 billion will be delivered by the end of 2016-17 and £4.8 billion capital funding every year for the next five years.”
However, despite new powers for local authorities to raise money for social care and an extra £1.5 billion for the Better Care Fund, there are still concerns that this investment will not be enough and will store up additional pressure for the NHS. The loss of public health funding to local authorities will also have a huge impact on prevention, and result in further strain on acute services.

The Nuffield Trust warns that “care services in England remain on the brink of collapse - increasing funding for the NHS while leaving local councils short of cash is like painting the front door while the house is on fire”.

**Housing**

*Housing budget doubled - and a new tax on buy to let landlords*

The government promised to be the government that ‘chooses to build’ with new announcements including:

- 400,000 new affordable homes - half of which will be ‘starter homes’ sold at 20% market value
- Right to buy extended to Housing Associations
- A new 3% stamp duty on buy to let and second homes.

In reality, the ‘affordability’ of affordable homes and starter homes is in doubt - the upper limit of affordable is £450,000 in London and £250,000 in the rest of England which puts it out of reach for the vast majority. In fact, in the government’s shared ownership scheme - only 3% of new social renters could have afforded to buy a shared ownership property.

The government’s emphasis on home ownership also neglects the badly needed reforms in our private rented sector - including around affordability, stability and quality.

If the chancellor had really wanted to ‘build homes for families’ - he needed to provide support for a mixed tenure of housing, take steps to reduce the housing benefit bill by making rents affordable and provide additional support for communities to build homes by supporting community-led housing.

**Contact details and next steps**

Additional analysis will be coming out over the coming days and weeks, and detail on the impact of some of these changes will take a while to emerge - including on Universal Credit, caps on Housing Benefit, and additional ‘job conditionality’ for an additional 1.3 million claimants.

We will be continuing to press government for more detail around a number of these announcements including:

- How communities will be supported to take on government owned assets
- The impact which the devolution of business rates, reduction in core local government grants, and new council tax powers for social care funding, will have on poorer local authorities.

We will also be continuing to make the case for public service reform which prioritises locally designed and delivered services. And with devolution high on the government agenda, we will be pushing for better inclusion of the voluntary and community sector in
shaping new devolution settlements and a commitment that power should be devolved beyond combined authority level, to communities and neighbourhoods.

We will be keeping you updated on all these developments, including through our monthly members policy update.

In the meantime, please get in touch for any further detail or to discuss your reflections on the Budget by contacting Louise Winterburn, Policy and Public Affairs Manager.