

# Autumn Statement 2016: Jam Tomorrow

David Phillips

NLGN event: Digesting the Autumn Statement

28 November 2016

# Changes to the underlying borrowing forecast



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**OBR's estimate of Brexit effect on borrowing:  
+£15.2 billion in 2019-20 (£290 million per week)**



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<i>Tax changes:</i>	<i>0.0</i>	<i>-0.6</i>	<i>-0.6</i>	<i>-1.1</i>	<i>-0.8</i>	<i>-0.5</i>
<i>Giveaways</i>	<i>0.0</i>	<i>+1.5</i>	<i>+1.7</i>	<i>+1.3</i>	<i>+1.4</i>	<i>+1.6</i>
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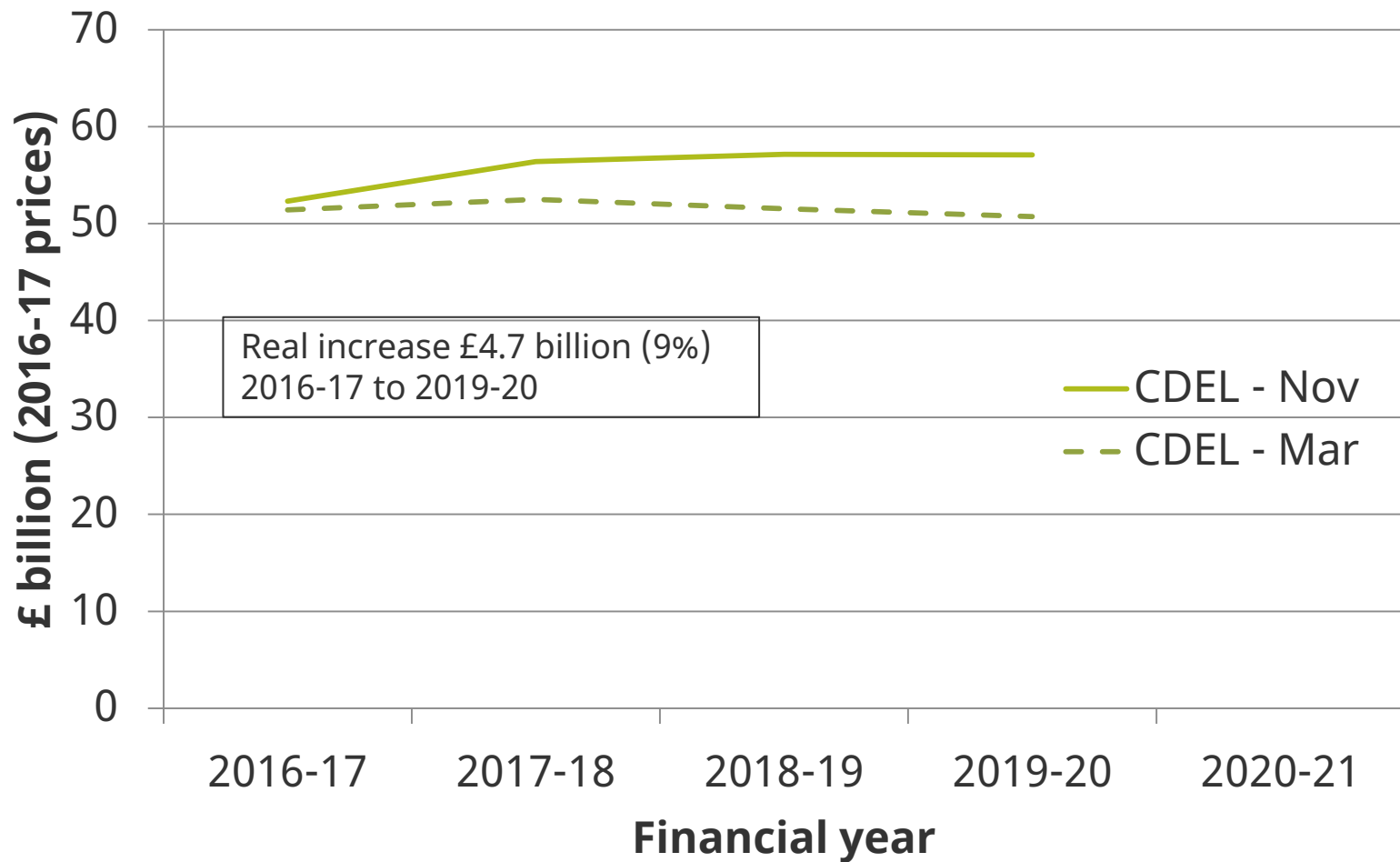
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<i>Spending changes:</i>	+0.9	+3.0	+5.0	+9.2	+9.7	+4.0
<i>Welfare</i>	+0.2	+1.0	+2.2	+1.8	+1.9	+2.4
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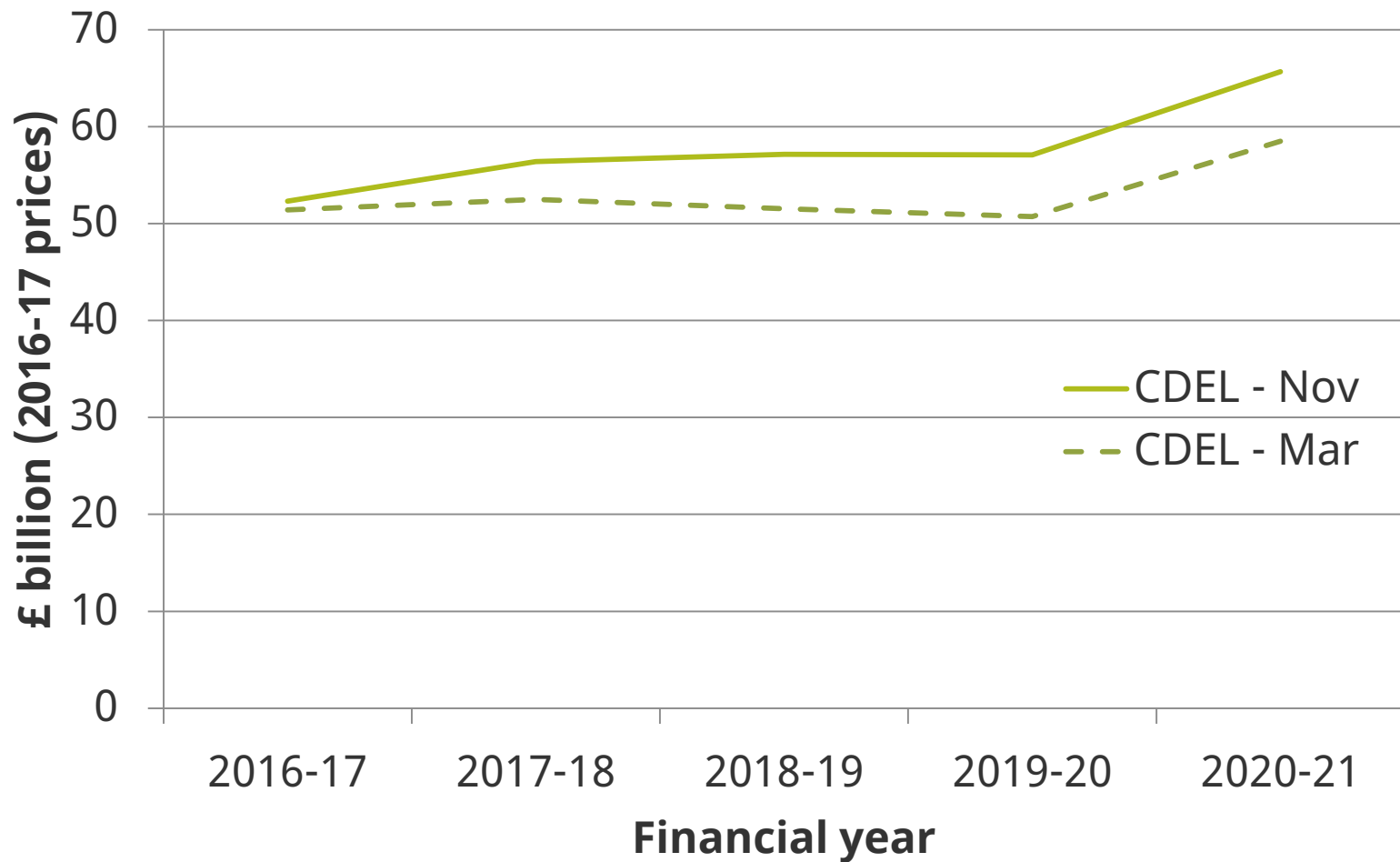
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# Capital departmental spending – 2016-17 to 2019-20



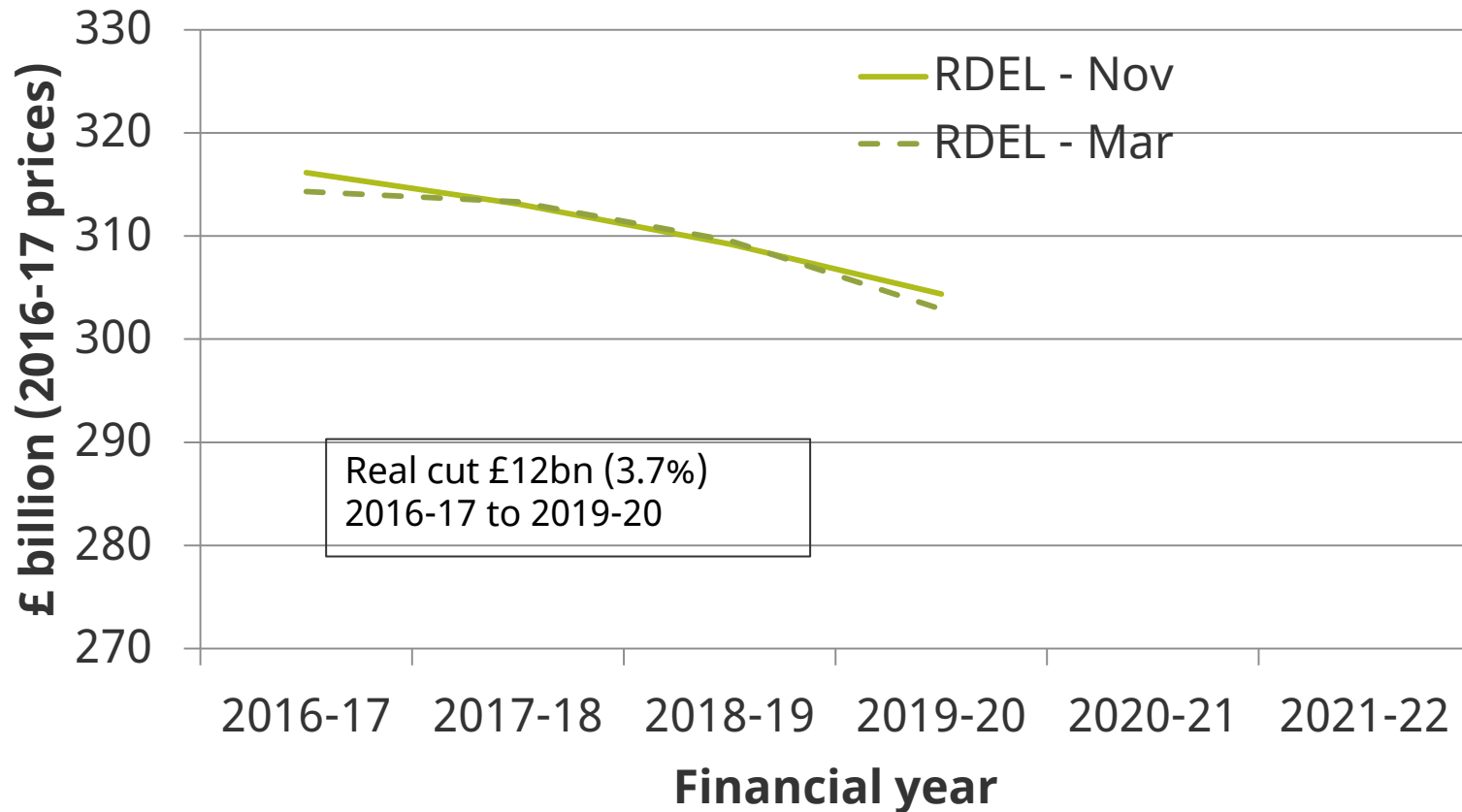
# Capital departmental spending – 2016-17 to 2020-21



# Capital spending and councils

- National Productivity Investment Fund of £17 billion over next 4 years
  - Housing, Transport, Telecoms and R&D
- New 'Housing Infrastructure Fund': £60 million next year, growing to £1.4 billion in 2020-21
  - To help fund infrastructure for new private sector houses
  - Competitive bids for funding by councils
  - Existing funding for transport may be retargeted at housing growth
- Combined authorities to gain capital borrowing powers
- Government to consult on allowing councils to borrow £1 billion at Gilts + 60 basis points for "high value infrastructure projects"

# Current departmental spending - 2016-17 to 2019-20

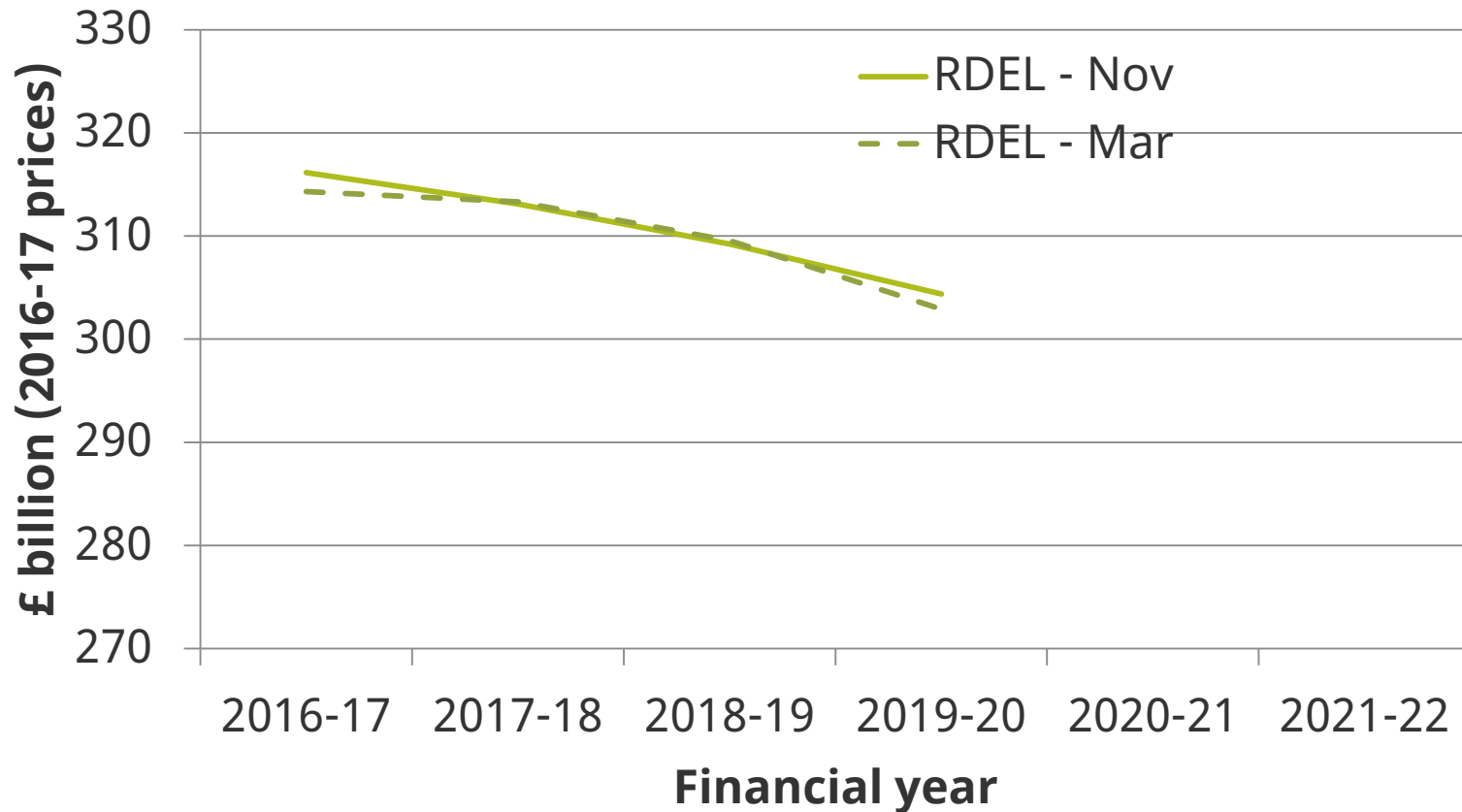




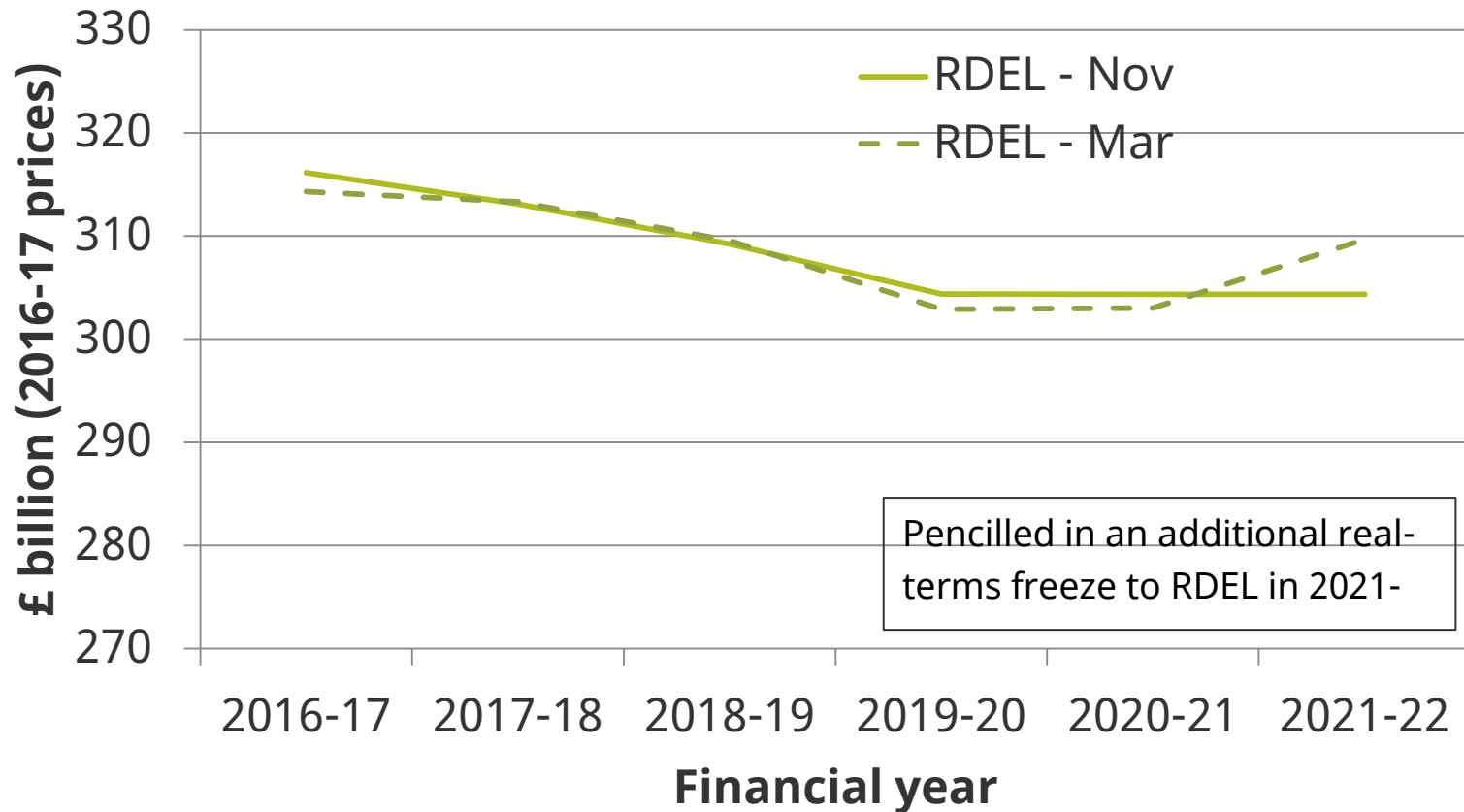
# Resource spending pressures to 2019-20

- No extra money for the NHS or councils' social care
  - Analysis by health charities suggest £2.3 billion social care funding gap even if social care precept fully used
  - Not all councils raising council tax by full 4% possible
- £1 billion of cuts in 2019-20 will be recycled into “priority areas”
- A range of policies will impact on councils' spending power
  - Apprenticeship Levy
  - National Living Wage (now likely lower than previously expected)
  - Increase in IPT and cut in petrol duty

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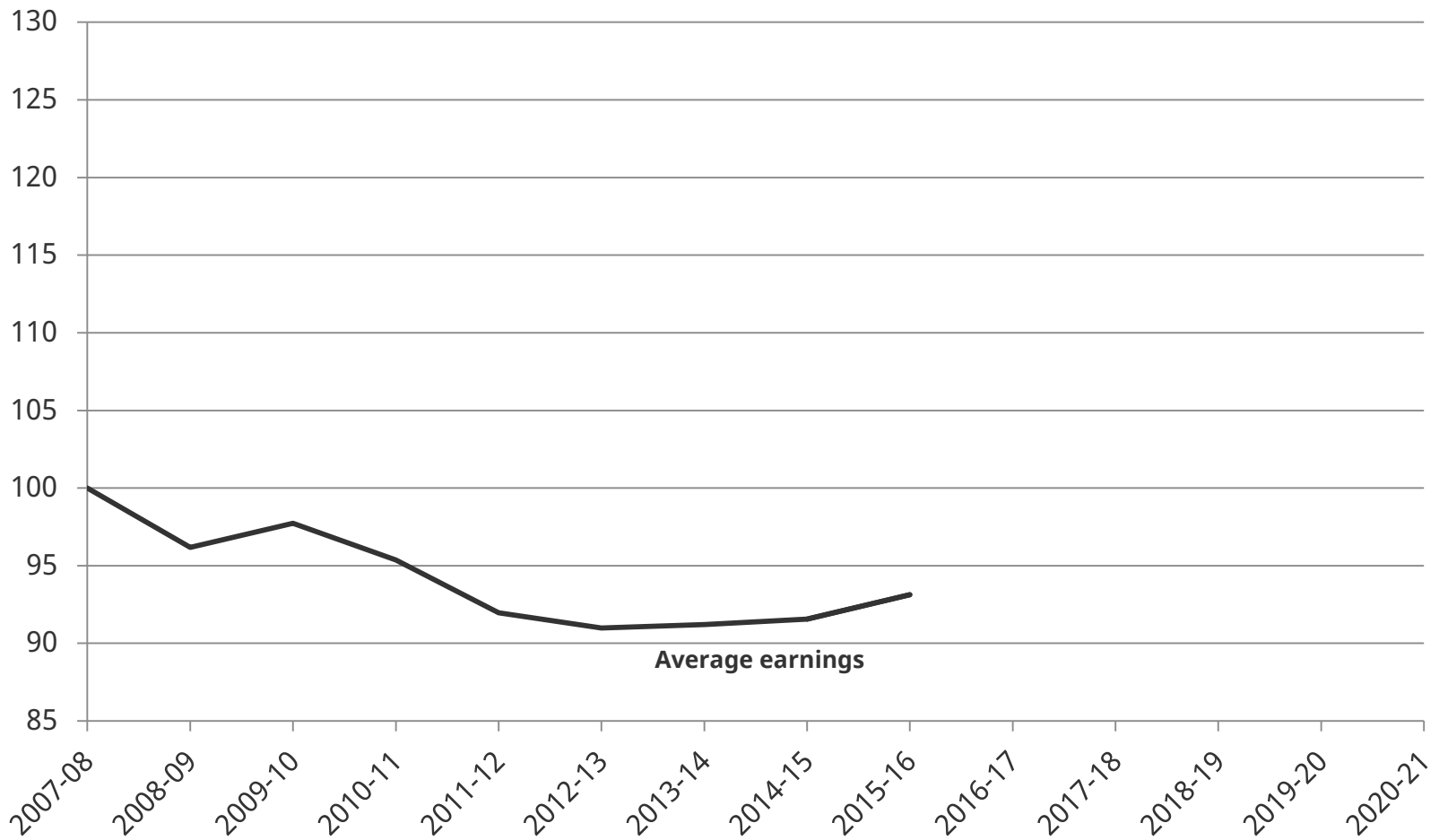
# What about post-2020?

- Real-terms freeze in 2021-22 may mean cuts to some areas to fund increases to areas like NHS and overseas aid
- Councils could still be affected even though grants set to be abolished by 2020 and funded instead by local taxes
  - Could devolve additional responsibilities without commensurate funds
  - Government could impose a net ‘tariff’ on local government sector as a whole, drawing out money from business rates retention scheme
- Constraints on increases to local taxes
  - Business rates increases capped at CPI
  - Council tax referendum requirement; will social care precept

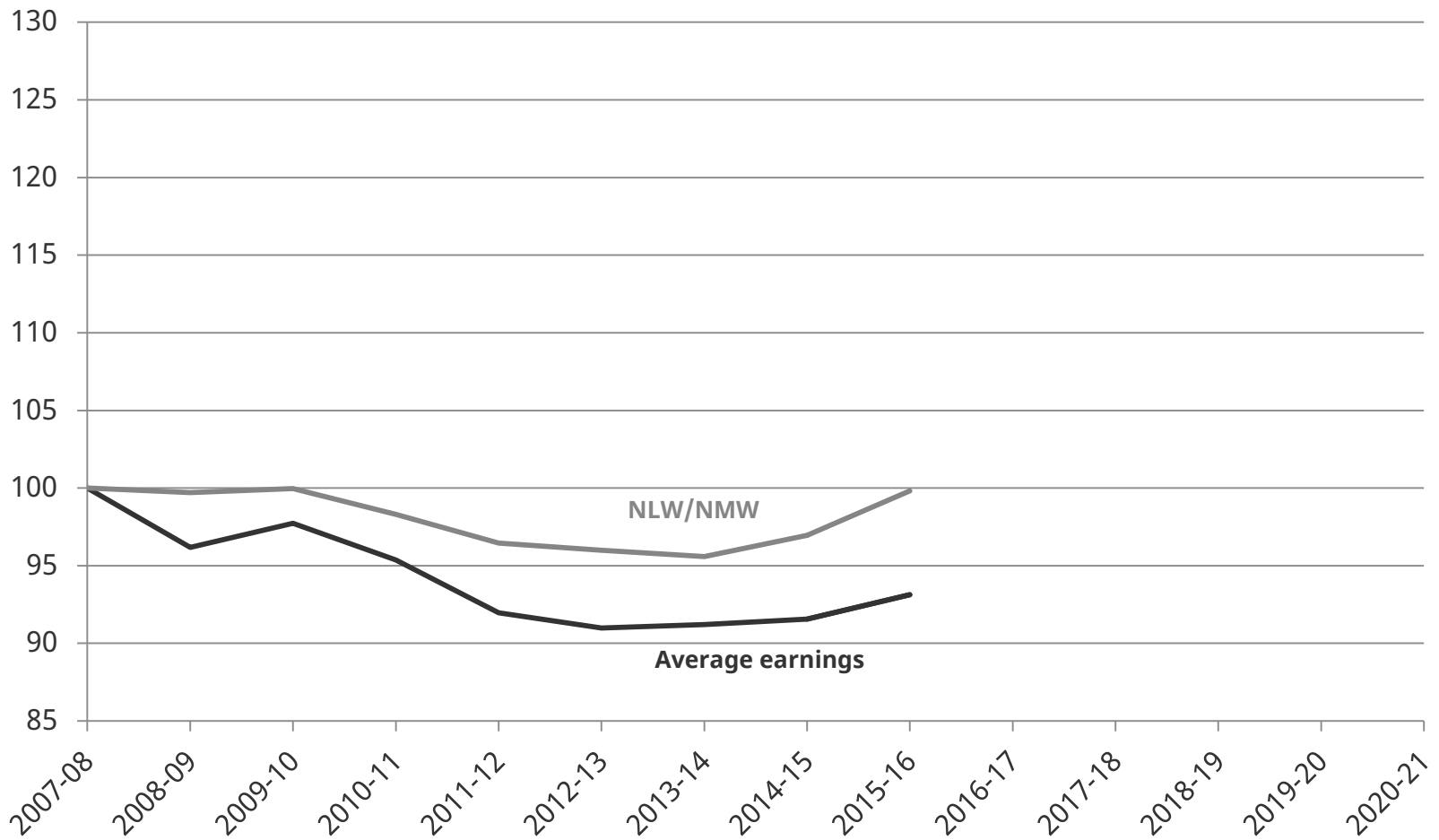
# Devolution

- New deals with West Midlands, Greater Manchester and London
  - Work and Health programme to latter two
  - Adult Education to London
- Biggest change (in England) is 100% rates retention system
  - Trials in Liverpool, Manchester and West Midlands next year
  - Full roll out by 2020
- Ongoing discussion on this system between CLG and LGA
  - Trade off between redistribution/needs versus financial incentives
  - Big unknown: are these powerful incentives or just extra risks?
- IFS launched major new research programme in this area

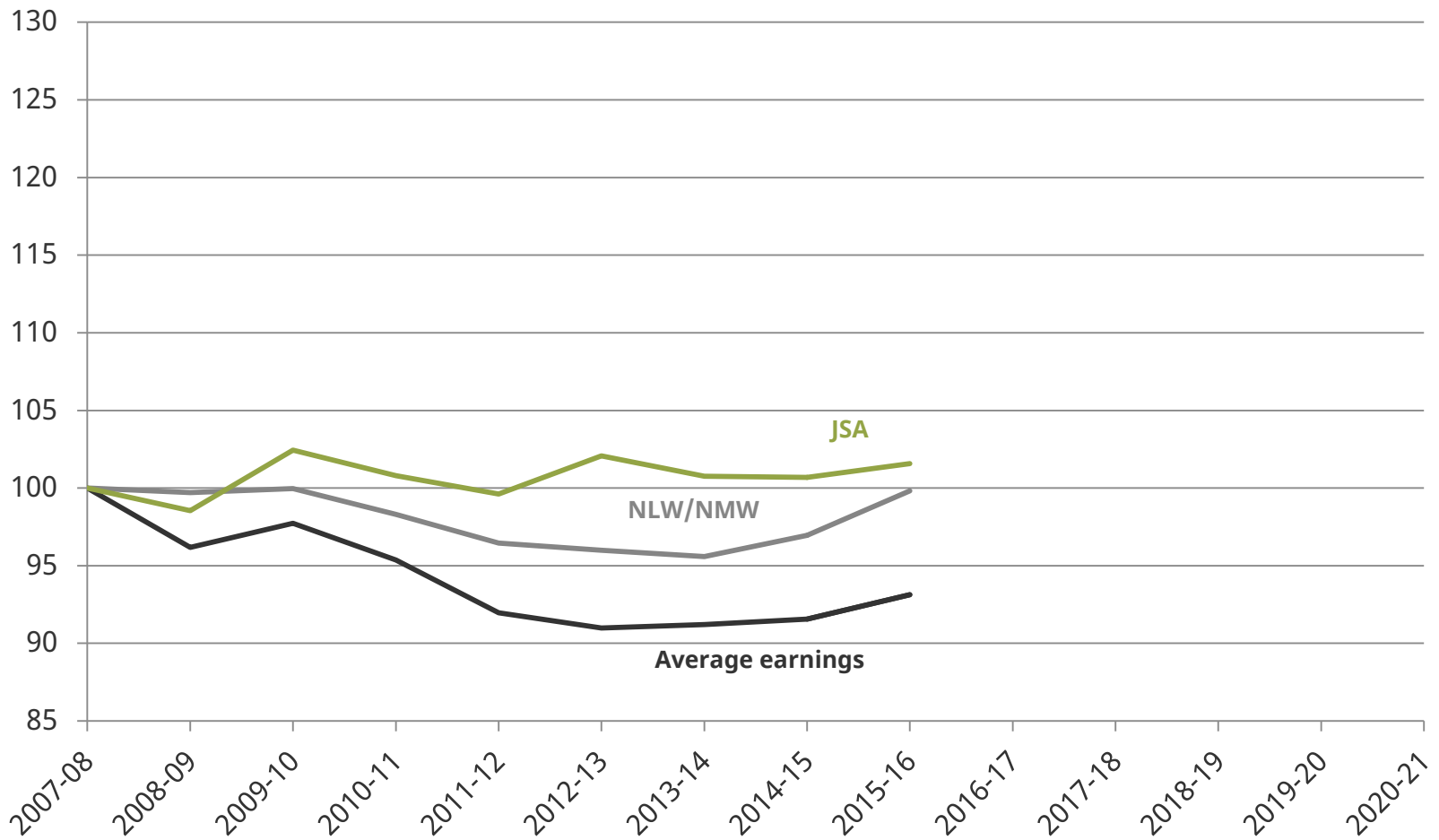
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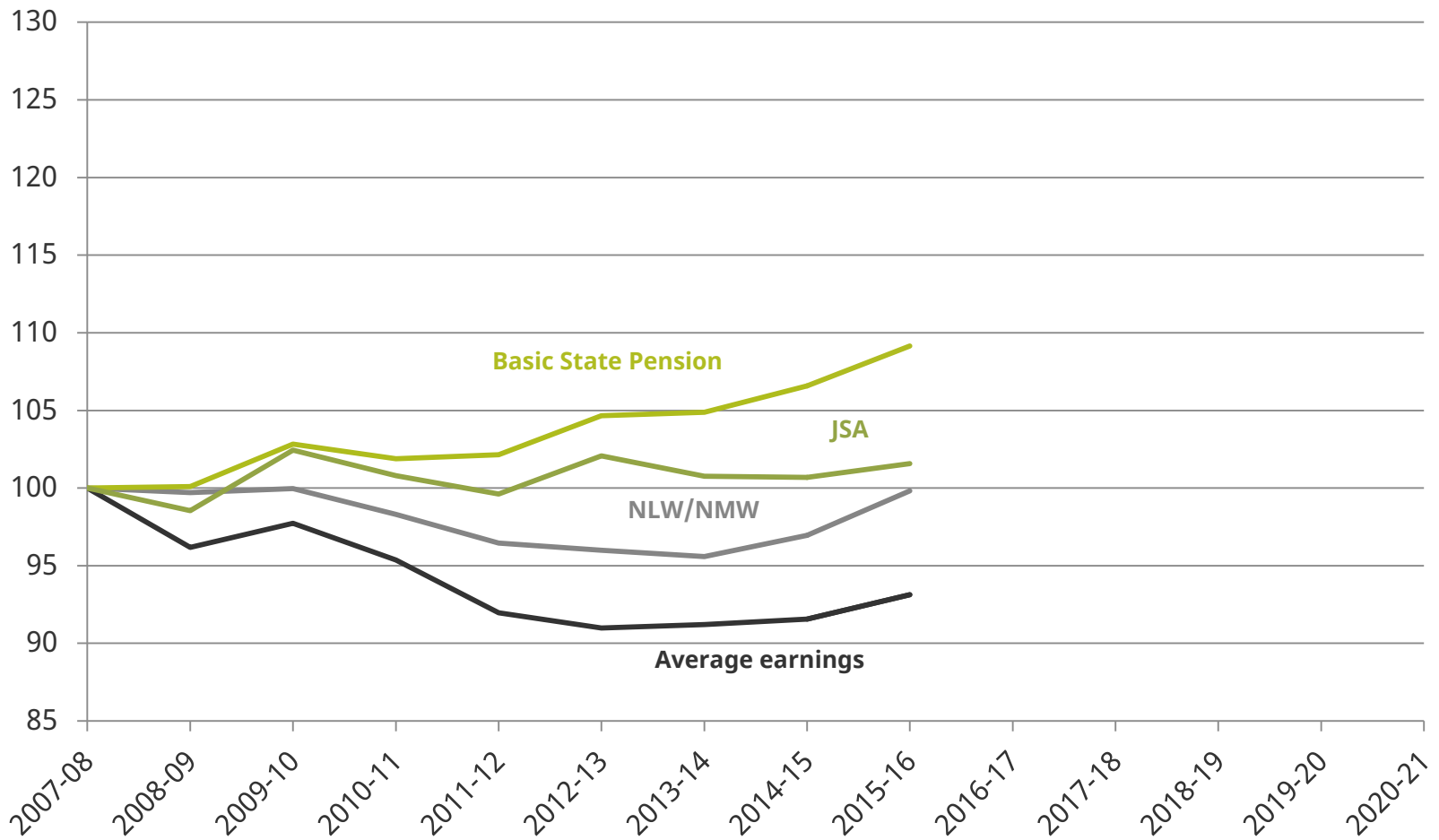


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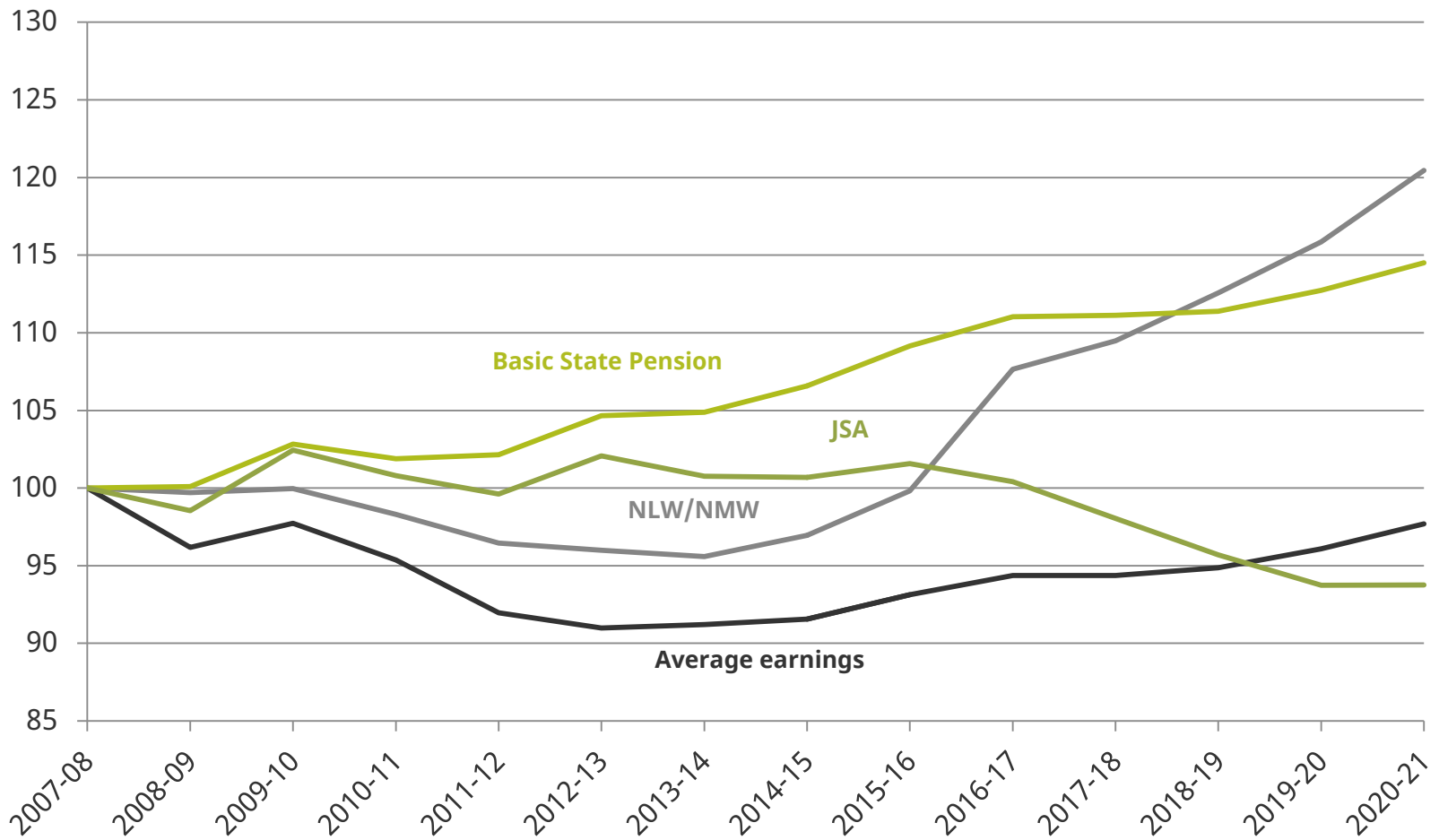




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# Summary

- Downgraded forecasts for growth and public finances
- Boost to investment spending – some of it coming to councils
- Continuing and possibly deeper cuts to current (day-to-day) spending – in a context of rising demand and costs
- Door still open to devolution, and planning/designing of 100% rates retention is in full swing
- Councils operating in a world where real-wages lower in 2020 than 2008