Committee:	**Date:**
Finance Committee	13 December 2016
Subject: Autumn Statement 2016	**Public**
Report of: The Chamberlain	**For Information**
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Summary

This report highlights the key points for the City Corporation from the Chancellor's Autumn Statement on 23 November 2016.

There is no change in the level of local government funding, so the funding reductions included in our previous financial strategy remain.

We had hoped for comments on fiscal devolution to London and clarity on how the 100% business rate retention system would work. Little was announced on the devolution of further powers to London, only that the Government would "continue discussions". In relation to business rates, the Chancellor confirmed the government's preferred option for transitional relief and announced a new 100% business rate relief for new full-fibre infrastructure, but was otherwise silent on how the 100% rate retention scheme would work and what sort of redistribution mechanisms would be used.

Recommendation

Members are asked to note the report.

Main Report

The Autumn Statement

1. On 23 November 2016, the Chancellor presented his Autumn Statement.

2. The Chancellor said that the UK's vote to leave the European Union and other economic uncertainties meant that Government would no longer seek to deliver a surplus in 2019-20. He explained three new fiscal rules which would be adopted in a new charter for Budget responsibility:

    - Public finances should return to balance as early as possible in the next Parliament and borrowing should be below 2% by the end of this Parliament;

    - Public sector net debt as a share of economy should be falling by the end of this Parliament; and

- On welfare, the Government will deliver savings already identified but has no plans to introduce further welfare saving measures. A new medium term welfare cap will apply to welfare spending in 2021-22, set at £126 billion. The Autumn Statement documents set out a pathway to reaching this, based on spending limits in each of the next four financial years.

3. The Chancellor said that the Treasury's key task is now to make the economy resilient ahead of the UK's exit from the European Union. This would require "fiscal headroom". The centrepiece of the statement was a programme of investment in productivity and innovation with a new £23 billion National Productivity Investment Fund, to be paid for by additional borrowing. Overall borrowing figures were worse than forecast in March by a cumulative £122 billion over five years, of which around £60 billion was attributed to the impact of Brexit.

4. The Government still intends to identify £3.5 billion of efficiency savings in 2019-20, with potentially £1 billion available for reinvestment in priority areas. The Chancellor said that he wanted "departments to be incentivised to drive efficiencies" and that the Treasury be an "enabler for good, effective spending across government".

5. From the City of London Corporation's perspective as a local and police authority, the key financial points are:

   - No change to the level of local government funding

   - £3.15bn funding confirmed for affordable housing

   - Increased investment for transport and infrastructure.

   - Business rates - the Government's preferred option for the transitional relief scheme was confirmed, although the increase cap for large businesses in 2017/18 has been reduced from the planned 45% to 42%. This reduction should benefit London businesses by £46 million against business rate increases of around £1billion. This may benefit some City businesses. The Chancellor also announced a new 100% business rates relief for new full-fibre infrastructure for a five-year period from 1 April 2017. This will not have any immediate impact on the City Corporation. The measure requires primary legislation and will only apply to new networks. We are still preparing our own future deployment of full-fibre broadband through the Network Refresh Programme.

   - On devolution, the Government will transfer to London the budget for the Work and Health Programme (subject to conditions) and the adult education budget to London from 2019-20 (subject to readiness conditions), but no announcement was forthcoming on the devolution of further powers to London, with the Chancellor saying only that "we continue discussions".

- There is a 2% increase in Insurance Premium Tax. This will affect the Corporation as a property holder but the impact is marginal. After allowing for properties where it would be recoverable from tenants, we estimate that in a full year it would cost us circa £50k across all funds.

- The Government will broaden the scope of the museums and galleries tax relief announced at Budget 2016 to include permanent exhibitions so that it is accessible to a wider range of institutions across the country. This would apply where they are brought into the scope of Corporation tax e.g. where a museum is set up as a charitable company or it sets up as a subsidiary company under the control of a local authority. The Barbican is currently considering setting up a trading company which may be able to take advantage of this.

- A reduction to the universal credit taper rate.

- Reform of off-payroll working rules in public sector confirmed from April 2017.

6. There are a few further points of interest:

   - Corporation tax to be reduced from 20% to 17% by 2020

   - The National Living Wage will increase by 4.2% from £7.20 to £7.50 from April 2017.

   - Raises in the personal tax allowance

7. We had hoped for clarity on how the 100% business rate retention would work, but no further information was provided. Despite representations from the local government sector, the Chancellor was also silent on how the increasing pressures on adult social care might be financed.

8. More detail is provided in the analysis by London Councils, attached at Appendix 1.

9. The Chancellor's Autumn Statement yesterday will be the last Autumn Statement, as the budget will be moved to the autumn. The March 2017 budget will therefore be the last spring budget. The Government will however continue to respond to the OBR's forecasts in March in a Spring Statement but with a presumption of no fiscal announcements.

Conclusion

10. There is no change in the level of local government funding, so the funding reductions included in our previous financial strategy remain relevant.

11. We had hoped for comments on fiscal devolution to London and clarity on how the 100% business rate retention system would work. Little was

announced on the devolution of further powers to London, only that the Government would “continue discussions”. On business rates the Chancellor confirmed the government’s preferred option for transitional relief and announced a new 100% business rate relief for new full-fibre infrastructure, but was otherwise silent on how the 100% rate retention scheme would work and what sort of redistribution mechanisms would be used.

Appendices

- Appendix 1 – London Councils’ ‘on the day’ briefing

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