Committee(s)	Dated:
Finance Committee – For information	12 Dec 2017
Subject: Autumn Budget 2017	**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 Budget on 22 November 2017.

The Chancellor announced that growth projections have been reduced as a result of significant downgrades to the OBR's productivity assumptions over the next five years. Borrowing figures are better than forecast in March for 2017/18 and 2018/19 but the borrowing forecast has increased in subsequent years. This has extended closing the deficit by another year, which will have implications for the public expenditure outlook. For now, no changes were made to local government or police funding in the Budget and no further announcement was made on public sector pay.

A London business rates retention pilot was agreed which will pilot 100% retention of business rates during 2018/19. This will allow the 32 London boroughs, the City of London and the GLA to keep additional business rates income raised locally, which in 2018/19 is forecast to be in the region of £240m. The City of London share of this income is forecast to be £8.2m.

The Chancellor announced that the move to change Business Rates Indexation from RPI to CPI will happen two years earlier than planned from 2018/19 and proposed that Business Rates revaluations would move to a three year cycle rather than the current five year cycle from 2022. Local Government will be fully compensated for these changes.

The HRA borrowing cap will be lifted for those areas which can demonstrate the highest affordability pressure although this will not be available until 2019/20, last two years only, limited to £1 billion nationally and will be subject to a bidding process.

Recommendation(s)

Members are asked to:

- Note the report.

Main Report

The Autumn Statement

1. The Chancellor of the Exchequer presented his Autumn Budget to Parliament on 22 November 2017.

2. The Chancellor announced that growth projections have been reduced as a result of significant downgrades to the OBR's productivity assumptions over the next five years. Borrowing figures are better than forecast in March for 2017/18 and 2018/19 however the borrowing forecast has increased in subsequent years. Public sector net borrowing is forecast to decrease from 2.4% of GDP in 2017 to 1.1% of GDP by 2022. CPI inflation is forecast to peak at 2.7% in 2017 reducing to 2.0% by 2019.

3. The Chancellor said the central mission of the Treasury is to raise productivity by using some of the headroom created by the fiscal rules. The National Productivity Investment Fund was expanded from £23 billion to £31 billion and extended for a further year.

4. The Chancellor announced a further £3 billion to support Brexit preparations over the next two years.

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 formula funding and no additional funding for adult social care, children's services or public sector pay;
    - The introduction of a London pilot for 100% business rates retention for 2018/19. This will allow the 32 London boroughs, the City of London Corporation and the GLA to keep additional business rates income raised locally, which in 2018/19 is forecast to be in the region of £240m. The City of London Corporation share of this income is forecast to be £8.2m;
    - Business rates: the planned switch from RPI to CPI inflation will be brought forward by two years to 2018/19 for which local authorities will be fully compensated. The £1,000 discount for public houses will be extended into 2018/19. The Chancellor also announced that the frequency of revaluations will increase by moving revaluation to every three years from 2022. This will require ratepayers to provide regular information on who is responsible for business rates, the use of the property and any rent paid;
    - Council tax: local authorities will be able to increase the empty homes premium to 100%;
    - £15.3 billion additional funding available for housing over the next five years with confirmation of £2 billion in funding for the Affordable Homes Programme;
    - Housing Revenue Account borrowing caps for local authorities in areas of high affordability pressure will be increased so they can build more council homes. Local authorities will be invited to bid for increases in their caps from 2019/20, last two years only, up to a total of £1 billion by the end of

2021/22. Any increase in the borrowing cap will be welcomed. The Corporation currently has a £25m cap on HRA borrowing which will be used to finance:

i. the 5 year asset management plan; and
ii. 700 new HRA homes.

- An expectation that local authorities will bring forward 20% of their housing supply as small sites to speed up the building of new homes and a strengthening of the Housing Delivery Test with tougher consequences where planned homes are not being built;
- Increased investment in transport and infrastructure to support the new Industrial Strategy. A £220 million Clean Air Fund was announced allowing local authorities with the most challenging air pollution problems to help individuals and businesses adapt; and
- Increased focus on public sector productivity by introducing a new Public Value Framework, a tool that will be used by government to measure how effectively public spending delivers results that improve people's lives.

6. There are a few other points of interest:
   - The National Living Wage will increase from £7.50/hour to £7.83/hour (4.4%);
   - The personal tax allowance will increase from £11,000 to £11,850 (7.7%);
   - Stamp Duty for first time buyers for properties under £300k was removed; and
   - A further £36 million of banking fines was committed to support Armed Forces and Emergency Services charities.

Conclusion

7. There is no change in the level of local government funding with no reference to adult social care or children's services pressures. However, the London business rates pilot will provide the ability to retain growth in business rates during 2018/19. This is forecast to yield £8.2 million for the Corporation.

8. Other changes to business rates were announced including accelerating the switch from RPI indexation to CPI indexation from 2018/19 and increasing the frequency of revaluations to every three years from 2022.

9. There will be the potential to bid for an increase in the HRA borrowing cap from 2019/20 which will be limited to £1 billion nationally.

Appendices

- None

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