

# Somerset Technical Support Team Briefing - Autumn Budget 2017

22 November 2017

## INTRODUCTION

On 22 November the Chancellor of the Exchequer, Philip Hammond, made his Autumn Budget 2017 announcement in the House of Commons. This was the Chancellor's first *Autumn Budget*.

Alongside the Autumn Budget the OBR published its [Economic and Fiscal Outlook](#) (EFO), containing its forecasts for the economy and the public finances.

This briefing outlines the key announcements in the Budget, in particular those of interest to fire finance. References to the relevant paragraphs in the Budget [report](#) for each announcement are included in square brackets.

## BACKGROUND

Before the Budget, there was much expectation that the Chancellor would focus his Budget speech on **housing**. The Independent stated that it expected Hammond to allow some LAs to borrow more to build homes whilst the Times stated that "A stamp duty holiday or [the] raising of the threshold before the duty is paid is being strongly mooted for certain buyers".

Regarding **social care**, the Government faced many calls from local government, think-tanks and charities for increased funding.

The Observer reported that the Chancellor will increase **business rates** in line with the Consumer Price Index (CPI – 3.0%) rather than the Retail Price Index (RPI – 3.9%) following business groups' calls to drop the planned rise entirely.

The BBC reported that **other** announcements would include a drive to increase productivity, investment in driverless cars and a new 26-30 railcard.

## ECONOMY

**GDP** – GDP is predicted to grow by 1.5% in 2017. This is 0.5 percentage points less than the 2.0% predicted in the 2017 Spring Budget (the first post-Brexit forecast). For each year to 2021, growth forecasts have been revised down from those in the 2017 Spring Budget. These revisions mainly reflect revisions to productivity forecasts [1.19].

OBR	2016 Autumn Statement	2017 Spring Budget	2017 Autumn Budget
2017	1.4%	2.0%	<b>1.5%</b>
2018	1.7%	1.6%	<b>1.4%</b>
2019	2.1%	1.7%	<b>1.3%</b>
2020	2.1%	1.9%	<b>1.3%</b>
2021	2.0%	2.0%	<b>1.5%</b>
2022			<b>1.6%</b>

**Inflation** – CPI inflation has been revised up for 2017 but aligns with previous medium term forecasts. In 2017, CPI Inflation is now forecasted at 2.7%; this is expected to be followed by rates of 2.4% and 1.9% in 2018 and 2019 respectively and 2.0% thereafter. [Table 1.1]

**Employment** – The Budget highlights that “Employment remains near the record high set earlier this year and unemployment is at its lowest rate since 1975”. Wage growth is slightly higher than forecasted in the Spring Budget at 3.4% for 2017; falling to 2.6% in 2019 before regaining to 3.3% in 2022. Hammond stated that “Income inequality is at its lowest level in 30 years”. [1.1; EFO T3.8]

**Debt, Deficit and Borrowing** – The OBR forecasts that debt will peak at 86.5% of GDP in 2017-18, the highest it’s been in 50 years. It is then forecasted to be 86.4%, 86.1%, 83.1%, 79.3%, 79.1% from 2018-19 to 2022-23. This corresponds to deficit forecasts of 2.4%, 1.9%, 1.6%, 1.5%, 1.3% and 1.1% of GDP for 2017-18 to 2022-23. Borrowing is lower in the near term than that planned in the Spring Budget but is higher in the medium term.

	<b>Borrowing – 2017 Spring Budget</b>	<b>Borrowing – 2017 Autumn Budget</b>
2017-18	£58.3bn	£49.9bn
2018-19	£40.8bn	£39.5bn
2019-20	£21.4bn	£34.7bn
2020-21	£20.6bn	£32.8bn
2021-22	£16.8bn	£30.1bn

## **PUBLIC SPENDING**

**Brexit preparations** – £3bn has been set aside over the next two years to ensure a smooth Brexit transition. This is in addition to the £700m already invested. [1.51 – 1.53]

**National Productivity Investment Fund** – The 2017 Autumn Budget announced the expansion of the NPIF to support innovation, upgrade the UK’s infrastructure and to underpin the government’s modern Industrial Strategy. The NPIF will now total over £31bn. [4.6]

**Departmental Spending Cuts** – Total Managed Expenditure as a share of GDP is forecast to fall from 38.9% in 2017-18 to 37.7% in 2022-23. This compares to 44.9% in 2010-11. [Table 1.6]

**Efficiency Savings** – Budget 2016 set out plans to make efficiency savings of £3.5bn in public spending by 2019-20. Due to changes in Official Development Assistance (ODA) spending as well as potential new spending and administrative pressures faced by departments in 2019-20, this has been revised to £1.4bn. [1.54-1.56]

**Protected Spending** - As set out in Spending Review 2016, commitments to priority public services, to defence and to international development will be maintained. [1.49]

**Public sector leadership** – The government will establish a Public Service Leadership Academy to complement existing provision, create networks and share best practice across the public services.

## **DEVOLUTION AND GROWTH**

**Devolution** – The government has agreed a number of devolution deals as part of its Northern Powerhouse and Midlands Engine projects. [4.55 – 4.64]

## PAY AND PENSIONS

**Public Sector Pay** – In September 2017 the government announced its intention to move away from the 1% basic public sector pay award policy. In 2018-19 the relevant Secretary of State will make final pay awards decisions, taking into account their affordability and feedback from the independent Pay Review Body reports. This process will commence shortly with the relevant Secretary of State writing to the PRB Chair to initiate the 2018-19 pay round. Each PRB will then make its recommendations in the spring or summer. [6.27]

**National Living Wage and National Minimum Wage** – NLW will rise by 4.4% from £7.50 per hour to £7.83 from April 2018 [4.31]. The National Minimum Wage rates will be increased to £7.38 for 21-24 year olds, £5.90 for 18 to 20 year olds, £4.20 for 16-17 year olds and £3.70 for apprentices, an increase of 4.7%, 5.4%, 3.7% and 5.7% respectively. [4.31]

**National Insurance** – As previously announced, to ensure that there is enough time to work with Parliament and stakeholders on the detail of reforms that will simplify the NICs system, the government has announced that it will delay implementing a series of NICs policies by one year. These are the abolition of Class 2 NICs, reforms to the NICs treatment of termination payments, and changes to the NICs treatment of sporting testimonials. [3.10]

The government will also no longer proceed with an increase to the main rate of Class 4 NICs to 10% in April 2018, and 11% in April 2019. [3.18]

## COUNCIL TAX

**Council Tax Forecasts** – Forecasted council tax receipts, levels and taxbase are below. Each of these are forecasted slightly higher than the corresponding March 2017 forecasts (please see Annex). [EFO 2.15]

England	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Receipts	£26.1bn	£27.6bn	£29.1bn	£30.2bn	£31.1bn	£32.0bn	£32.9bn
Change in CT level	3.1%	4.0%	4.0%	2.4%	1.9%	1.9%	1.9%
Change in CT base	2.3%	1.8%	1.3%	1.3%	1.1%	1.0%	0.9%

**Council Tax for Empty Properties** – In order to “encourage better use of the existing housing stock,” legislation will be brought forward to give LAs the power to charge 100% council tax on empty properties. Empty properties currently receive a 50% discount. [[Policy Costing](#) page 7]

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Exchequer impact	0	0	0	0	+£5m	+£5m

## BUSINESS RATES

**Forecasted Business Rates** – Retained business rates as well as council tax and net reserves usage have been forecasted from 2017-18 to 2022-23. These and a comparison of the corresponding forecasts from the 2017 spring Budget can be found in the Annex below.

**Up-rating of Business Rates** – The business rates multiplier (the tax rate) is increased each April in line with inflation. The figure used is the Retail Price Index (RPI) from the preceding September. Plans, originally announced in Budget 2016, to switch to the Consumer Price Index (CPI) have been

brought forward by two years so that from April 2018 CPI rather than RPI will be used. Local government will be fully compensated for the loss of income as a result of these measures. [3.27]

The RPI forecast on which business rates forecasts are based in 2018-19 and 2019-20 is replaced with the CPI forecast. The costs will grow in the first two years of implementation as the multiplier each year is dependent on the previous year’s multiplier, thereafter the costs will stay flat as the baseline is already updated by CPI. [[Policy Costing](#) page 18]

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Exchequer impact	£0	-£240m	-£530m	-£525m	-£520m	-£520m

**“Staircase Tax”** - The Government is legislating retrospectively to address the so-called “staircase tax” by reinstating the previous valuation practice in multi-occupancy buildings which applied before the recent Supreme Court judgement ‘Woolway (VO) v Mazars [2015] UKSC 53’. Affected businesses will be able to ask the VOA to recalculate valuations so that bills are based on previous practice backdated to April 2010 – including those who lost Small Business Rate Relief as a result of the Court judgement. The government will publish draft legislation shortly. Local government will be fully compensated for the loss of income as a result of these measures [3.27].

**Reliefs for Pubs** - £1,000 business rate discount for local pubs with a rateable value less than £100,000 has been extended by a further year to March 2019. This was initially announced as part of the 2017 Spring Budgets measures to help those affected by 2017 revaluation. Local government will be fully compensated for the loss of income as a result of these measures. [3.27, [policy costing](#) page 19]

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Exchequer impact	£0	-£30m	£0	£0	£0	£0

**Changes to the Revaluation Process** – Following the next revaluation process (currently due in 2022), revaluations will take place every three years (currently every five years). This follows a consultation announced at the 2017 Spring Budget. To enable this, ratepayers will be required to provide regular information to the VOA on who is responsible for business rates and property characteristics including use and rent. The government will consult on the implementation of these changes in the spring. Local government will be fully compensated for the loss of income as a result of these measures. [3.27]

**100% BRR Pilots and Additional Business rates retention** – The GLA and London Boroughs have agreed a **100%** business rates retention pilot in 2018-19. The government will continue to pilot **additional** rates retention for LAs across England. New pilots for 2018-19 will be announced following the DCLG assessment of recent applications to its scheme. [4.71, 4.80]

## TRANSPORT

**Motoring** – For the eighth year in succession Fuel Duty has been frozen, for petrol and diesel this is at 57.95p per litre. [3.40]

## OTHER

**Grenfell Tower** – The Budget re-confirms that, “where measures are essential to make a building fire safe, the government will make sure that current restrictions on the use of local authority financial resources will not prevent them going ahead”. [5.26]

## REACTION

**Labour** – Leader of the opposition Jeremy Corbyn described responded to the Chancellor’s statement saying “The reality test of this budget has to be how it affects ordinary people’s lives... The reality is that ordinary people will be no better off”.

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*Annex*

2.15 Council tax receipts																				
	2016-17			2017-18 (forecasted)			2018-19 (forecasted)			2019-20 (forecasted)			2020-21 (forecasted)			2021-22 (forecasted)			2022-23 (forecasted)	
	Spring (forecasted)	Autumn (outturn)	Change	Spring	Autumn	Change	Spring	Autumn	Change	Spring	Autumn	Change	Spring	Autumn	Change	Spring	Autumn	Change	Spring	Autumn
<i>£bn</i>																				
England council tax receipts	26.1	26.1	0%	27.5	27.6	1%	28.9	29.1	1%	30.0	30.2	1%	30.9	31.1	1%	31.7	32.0	1%	n/a	32.9
Percentage change in council tax level	3.1	3.1	0%	3.9	4.0	4%	3.9	4.0	4%	2.6	2.4	-8%	1.9	1.9	0%	1.9	1.9	0%	n/a	1.9
Percentage change in council tax base	2.3	2.3	0%	1.4	1.8	29%	1.3	1.3	5%	1.1	1.3	14%	1.0	1.1	14%	0.9	1.0	8%	n/a	0.9

2.30 Local authority current expenditure									
	2016-17			2017-18 (forecasted)			2018-19 (forecasted)		
	Spring (forecasted)	Autumn (outturn)	Change	Spring	Autumn	Change	Spring	Autumn	Change
<i>£bn</i>									
England Net current expenditure	109.4	110.7	1%	111.8	109.6	-2%	111.7	112.2	0%
Council tax	26.1	26.1	0%	27.5	27.6	1%	28.9	29.1	1%
Business rates retained by local a	11.2	11.7	5%	14.0	14.0	0%	14.8	15.2	3%
Net use of reserves	1.3	1.5	18%	0.6	1.0	54%	0.2	0.5	109%

2.30 Local authority current expenditure											
	2019-20 (forecasted)			2020-21 (forecasted)			2021-22 (forecasted)			2022-23 (forecasted)	
	Spring	Autumn	Change	Spring	Autumn	Change	Spring	Autumn	Change	Spring	Autumn
<i>£bn</i>											
England Net current expenditure	110.5	111.4	1%	112.6	112.4	0%	115.3	115.1	0%	n/a	118.0
Council tax	30.0	30.2	1%	30.9	31.1	1%	31.7	32.0	1%	n/a	32.9
Business rates retained by local authorities	13.1	12.6	-4%	13.4	12.8	-4%	13.6	13.1	-4%	n/a	13.4
Net use of reserves	0.0	0.2		0.0	0.0		0.0	0.0		n/a	0.0