

Introduction

Chancellor George Osborne today presented his Spending Review 2015 (SR15) and this year's Autumn Statement. He set out how £4 trillion of taxpayers' money will be spent in this Parliament.

The Chancellor's 4 objectives are: modern integrated health & social care; devolution to spread economic power & wealth; extending opportunities to all; and reinforcing national security. He plans to reduce total public spending to 36.5% of national income by 2020, down from 45% in 2010.

Key points relevant to South East local authorities include:

- **Business rates:** Confirmation the Government will move to 100% local retention of business rates instead of grants by 2020, but in return councils will be expected to take on new responsibilities.
- **Council tax:** Powers for counties and unitaries to increase council tax by an extra 2% to fund social care costs. There is also potential for Police & Crime Commissioners to raise their council tax precepts.
- **Housing & planning:** Planning reform, measures to improve delivery of homes and benefit changes.
- **Refugees:** A commitment of £590m to help fund councils who accept Syrian refugees.
- **Asset sales:** For example selling prison sites for housing, including Reading. DWP is also asked to move Job Centres into council offices.
- **South East investment:** Funding to relieve Operation Stack and for military museums in Portsmouth.

Read [full details of the Spending Review and Autumn Statement](#) on the Treasury website.

National economic overview

New figures from the Office for Budget Responsibility (OBR) show that UK growth is 3 times faster than Japan, twice as fast as France and has grown faster than every other G7 economy since 2010. The UK economy is forecast to grow by 2.4% this year, 2.4% in 2016 and 2.5% in 2017. In addition:

- The deficit is forecast to fall to 3.9% of GDP in 2015-16, down from 11.1% in 2010. It will continue to fall to 0.2% by 2018-19, until reaching a budget surplus of £10.1bn in 2019-20.
- Employment is forecast to reach 31.1 million this year – over 2.1m more people in work than in April 2010. This is expected to rise each year to reach 32.2m in 2020.
- Forecasts predict that more than 1m extra jobs will be created over the next 5 years.
- Unemployment fell to 5.3% this year, the lowest in 7 years. It is forecast to fall to 5.2% next year, and then rise to 5.4% by 2020. *In the South East there were 56,000 unemployment benefit claimants in October 2015, compared to 74,000 in September 2014.*
- Inflation is forecast to be 0.1% in 2015 (below the 2% target) but will return gradually to 2% in 2019.

CLG: local government funding, devolution, housing & planning

Funding & devolution

- CLG's resource budget will fall 29% by 2019-20 through better financial management & efficiencies.
- CLG's local government budget (inc. revenue support grant) will fall from £11.5bn to £5.4bn by 2019-20. However, with more locally generated income from council tax and business rates Government claims that by 2020 local government will be spending the same in cash terms as it does today.
- Government will consult in 2016 on implementing 100% business rate retention by councils by end of this Parliament, phasing out local government grant and devolving additional responsibilities.
- Government will allow councils to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects.
- *There is no direct mention of devolution deals in the South East. This is disappointing given the South East's record of making the highest net contributions to the Treasury of £80bn over the past 10 years. CLG continues to announce devolution deals in other areas.*

Housing & planning

- £20bn capital investment by Government will deliver 400,000 new homes by 2020-21, the biggest affordable house building programme since the 1970s, with a focus on low cost ownership. *The South East consistently builds the most homes in England (21,900 in 2014-15) but affordability is a concern with average house prices around 11 times average earnings.*
- Government plans include 200,000 Starter Homes sold at a 20% market discount to young first time buyers. £2.3bn will support the delivery of up to 60,000 of these, in addition to delivery through reform of the planning system. Plans also cover 135,000 new Help-to-Buy Shared Ownership homes (removing councils' rights to set additional eligibility criteria); 10,000 Rent-to-Buy homes; and at least 8,000 homes for older people and people with disabilities.

- Measures to increase housebuilding include:
 - Further planning reform, including tests on councils to ensure delivery against Local Plan targets.
 - *In the South East £310m to deliver the new garden city at Ebbsfleet in Kent.*
 - Releasing public sector land with capacity for 160,000 homes.
 - Releasing undeveloped commercial/retail/industrial land for Starter Homes & supporting regeneration of brownfield sites in Green Belt for Starter Homes, subject to local consultation.
 - Backing SME house builders, including amending planning policy to support small sites.
 - £2.3bn loans to regenerate council estates & invest in infrastructure for major housing development
- Consultation on New Homes Bonus reform, including incentivising communities to support additional homes and reducing the length of payments from 6 years to 4. This will include a Government preferred option for savings of at least £800m, which can be used for social care.
- Consultation on 3% Stamp Duty surcharge on purchases of buy-to-let properties and second homes.
- Consultation on an updated Transparency Code, requiring all councils to record land & property assets in a consistent way on Government's electronic Property Information Management System.
- Extend 'One Public Estate' with £31m to help councils and other local public sector property owners manage assets more efficiently.
- Extend 'Right to Contest' legislation, allowing communities to challenge existing use of land and property by local authorities, where these assets could be made surplus and put to better use.
- Government to devolve and reform funding for managing temporary accommodation from 2017-18. £10m for councils will replace the current Temporary Accommodation Management Fee.
- Government to cap the amount of rent that Housing Benefit will cover in the social sector to the relevant Local Housing Allowance (the rate paid to private renters on Housing Benefit).
- Additional Discretionary Housing Payment funding will be made available to local authorities to protect the most vulnerable, including those in supported accommodation.

Infrastructure investment

- DfT's resource budget will fall 37% but a 50% increase in transport capital spend nationally to £61bn.
- *In the South East: up to £250m for a new lorry park to reduce pressure in Kent from Operation Stack.*
- £475m nationally over 5 years to fund large local transport projects, and a £300m fund to support next generation infrastructure projects. There is no specific support for large-scale strategic transport schemes promoted by SEEC-SESL in Mind the Gap/Missing Links reports.
- £15bn Roads Investment Strategy nationally, including resurfacing 80% of the strategic road network and delivering 1,300 miles of additional lanes. £250m nationally over 5 years to tackle potholes, supplementing £5bn roads maintenance funding.
- Funding to support new air routes from Southampton to Munich & Lyon, and Oxford to Edinburgh.

Health and social care

These are critical issues for the South East, which has both the UK's largest population at 8.9m (June 2015) and the highest number of older people. There are already 790,000 over 75s and this number is expected to grow by 90% to 1.5m by 2037.

- The NHS overall budget will increase from £101bn to £120bn by 2020. This includes £6bn next year but the NHS is also expected to make £22bn efficiency savings over the next 5 years.
- *In the South East there will be a new hospital in Brighton.*
- The opportunity for councils to raise new social care funds, giving authorities the flexibility to raise council tax by up to 2% above the existing threshold with funds ring-fenced for adult social care. This could raise £2bn a year nationally by 2019-20.
- Care Act – Government has restated its commitment to Dilnot reforms with funding in 2019-20 for councils to implement the changes. The cap on reasonable care costs and extension of means tested support will then be introduced and funded from April 2020.
- Public health investment will be cut but the ring-fence on spending will be maintained in 2016-17 and 2017-18. There will be consultation on funding this from business rates in future.
- The Better Care Fund will continue, rising to an extra £1.5bn by 2019-20, aiming to achieve full health and social care integration across the country by 2020. A plan will be in place by 2017.
- There will be an additional £600m investment in mental health services.
- £500m by 2019-20 for the Disabled Facilities Grant.
- £1bn investment over next 5 years in new digital technologies to enhance access to data for health professionals, and integrated health care records.
- Reform of nursing & health training will deliver 10,000 extra student places by 2020. This includes replacing bursaries with loans.
- £115m for a joint health and work unit to speed up return to work with co-design for ESA claimants where agreed as a Devolution Deal.

Syrian refugees

- £590m has been committed to help councils fund refugee costs. By 2019-20 some £460m overseas aid funding will cover full first year costs of resettling up to 20,000 Syrian refugees. A further £130m will contribute to the costs of supporting refugees beyond their first year in the UK. *By mid November, 22 South East councils had pledged to accept 2,550 refugees.*

Supporting business growth & skills

- The BIS budget will fall by 17%. However there remains £12bn set aside for Local Growth Funds.
- 26 new or extended Enterprise Zones. *The South East will have 4 new zones in Newhaven, Aylesbury Vale, Didcot Growth Accelerator and Enterprise M3. The North Kent Innovation Zone will be extended.*
- Small business rate relief will be extended for a further year.
- Science sector investment will be protected, rising to £4.7bn revenue by 2020 and £9.6bn capital.
- Apprenticeships: Per place funding will rise and a new business-led body will set quality standards.
- The apprenticeship levy will be set at 0.5% of an employers' pay bill for companies with payrolls over £3m but companies with apprentices can apply for a £15,000 allowance to offset costs.

Education & childcare

- The Department for Education budget will be protected but nursery funding will increase by £300m.
- From 2017 there will be 30 hours of free childcare for 3-4 year olds where parents work more than 16 hours a week and earn less than £100,000 a year. £10,000 of child care costs will be tax free.
- There will be 500 new free schools and £23bn investment in buildings and 600,000 new school places. Consultation is expected in 2016 on a new national funding formula for schools.
- The Government aims to help every secondary school become an academy to make local authority schools 'a thing of the past' and save £660m Education Services Grant. Sixth form colleges will be allowed to become academies and will therefore no longer be liable for VAT.
- Student maintenance grants will be replaced with larger student loans and extended to part time students. Tuition fee loans will be extended to FE students and post graduates.

Welfare, benefits & pensions

- The DWP resource budget will be cut by 14%. Proposed changes to tax credits for working families will not now go ahead, delaying the target for achieving £12bn savings in welfare costs.
- Pensions will rise by £3.35 a week next year to £119.30, the biggest increase for 15 years. *This will benefit the 1.6m South East residents currently aged over 65.*
- The new flat pension for those who reach state pension age after April 2016 will be £155.65 a week.
- DWP will aim to move Job Centres into council offices to release assets for sale.

Policing, defence & counter terrorism

- The Ministry of Defence budget will increase by £6bn to £40bn by 2020 and spending on the Single Intelligence Account will rise from £2.1bn to £2.8bn in the same period.
- At the Home Office, police budgets will be protected and there will be a 30% increase in counter terrorism budgets. A new fund will help police forces become more efficient by merging back offices.
- Police & Crime Commissioners should be allowed greater flexibility to raise their council tax precepts in areas where they have been historically low.
- The Foreign Office budget is protected in real terms.

Other key measures and cost savings

- HMRC will cut its budget by 18%. This will include closing some of the 170 tax offices and moving from paper to digital processing. From these savings, £800m will be invested in fighting tax evasion.
- Cabinet Office budgets will fall by 26% but the Government Digital Service will receive an extra £450m.
- The Treasury budget will be cut by 26%.
- DEFRA's budget falls by 15% and the DECC budget will fall by 22%. However, there will be a commitment to spend £2bn to protect 300,000 homes from flooding and spending will increase on energy research, low carbon electricity and renewables.
- The DCMS administration budget will fall 20% but there will be increases for the Arts Council, national galleries & museums. There are extra funds for BBC World Service and a 29% increase for UK Sport.
- The Government plans to change the compensation culture around minor accidents, aiming to reduce the cost of motor insurance by £40-£50 a year.
- Income from LIBOR fines will help military charities – including this year funding to renovate the Royal Marines and D-Day museums in Portsmouth.
- Victorian prisons will be sold for housing to fund 9 new prisons. *This will include Reading Prison.*