

## Introduction

On 3 December the Chancellor of the Exchequer, George Osborne, made his 2014 [Autumn Statement](#) in the House of Commons. The final Autumn Statement before next year's general election outlined the Government's spending and tax plans, based on the latest forecasts from the Office for Budget Responsibility (OBR). Alongside the Autumn Statement the OBR published its [Economic and Fiscal Outlook](#) (EFO), containing its forecasts for the economy and the public finances, and an assessment of whether the Government is likely to achieve its fiscal mandate and supplementary target.

The Chancellor said the announcements he made in the Autumn Statement were 'not a giveaway', and warned 'substantial savings' in public spending would be needed.

This briefing draws together the key announcements contained in the Autumn Statement and OBR report, and those of particular interest to police and local government. For completion, references to the relevant paragraphs in the Autumn Statement report for each announcement are included in square brackets.

## Public Spending

No further reductions to Departmental Expenditure Limits (DELs) were announced for 2014/15 and 2015/16. However, Total Managed Expenditure, which includes DELs and Annually Managed Expenditure (AME) is forecast to decrease from 39.5% of GDP in 2015/16 to 35.2% by 2019/20, as Table 1 below shows.

	£ billion						
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19
<b>CURRENT EXPENDITURE</b>							
Resource AME	319.6	334.3	341.4	358.9	373.5	389.7	404.5
Resource DEL (excl depreciation)	316.9	316.8	316.8				
Ring-fenced depreciation	22.1	20.6	22.3				
<i>Implied Resource DEL (incl depreciation)</i>				321.8	310.6	305.6	302.5
<b>Public Sector Current Expenditure</b>	<b>658.5</b>	<b>671.7</b>	<b>680.4</b>	<b>680.6</b>	<b>684.1</b>	<b>695.3</b>	<b>707.0</b>
<b>CAPITAL EXPENDITURE</b>							
Capital AME	19.3	19.1	17.9	19	20	18.2	17.9
Capital DEL	42.0	46.3	47.9				
<i>Implied Capital DEL</i>				47.0	47.2	51.8	55
<b>Public Sector Gross Investment</b>	<b>61.4</b>	<b>65.4</b>	<b>65.8</b>	<b>66.0</b>	<b>67.2</b>	<b>70.0</b>	<b>72.9</b>
<b>TOTAL MANAGED EXPENDITURE</b>	<b>719.9</b>	<b>737.1</b>	<b>746.2</b>	<b>746.7</b>	<b>751.3</b>	<b>765.3</b>	<b>779.9</b>
<i>Total Managed Expenditure (%GDP)</i>	<i>41.5%</i>	<i>40.5%</i>	<i>39.5%</i>	<i>38.2%</i>	<i>36.9%</i>	<i>36.0%</i>	<i>35.2%</i>

*Table 1: Total Managed Expenditure (from Table 2.3 Autumn Statement 2014)*

Within TME, the reductions in public spending will fall most heavily on DELs (from which Police Grant is funded), as there is upward pressure on AME, particularly from debt interest and state pensions. According to the OBR, the Treasury's figures imply that 'roughly 40% of the total implied cut in day-to-day public services spending between 2009/10 and 2019/20 will have taken place over this Parliament, with roughly 60 per cent to come in the next'. [EFO Box 4.6, p148].

It is not possible to say how this will affect the police, as individual departments' DELs have not been set beyond 2015/16. However, if existing protections were to continue for the NHS, schools and international development, by 2019/20 spending on other Government departments, such as

the Home Office, would be 43.4% lower in real per capita terms than 2014/15. The decrease in DEL expenditure as a proportion of GDP is shown in Table 2 below, from the OBR EFO. The figures are based on plans announced for DEL expenditure up to 2015/16 and on the implied figures in Table 1 above from 2015/16 to 2019/20..

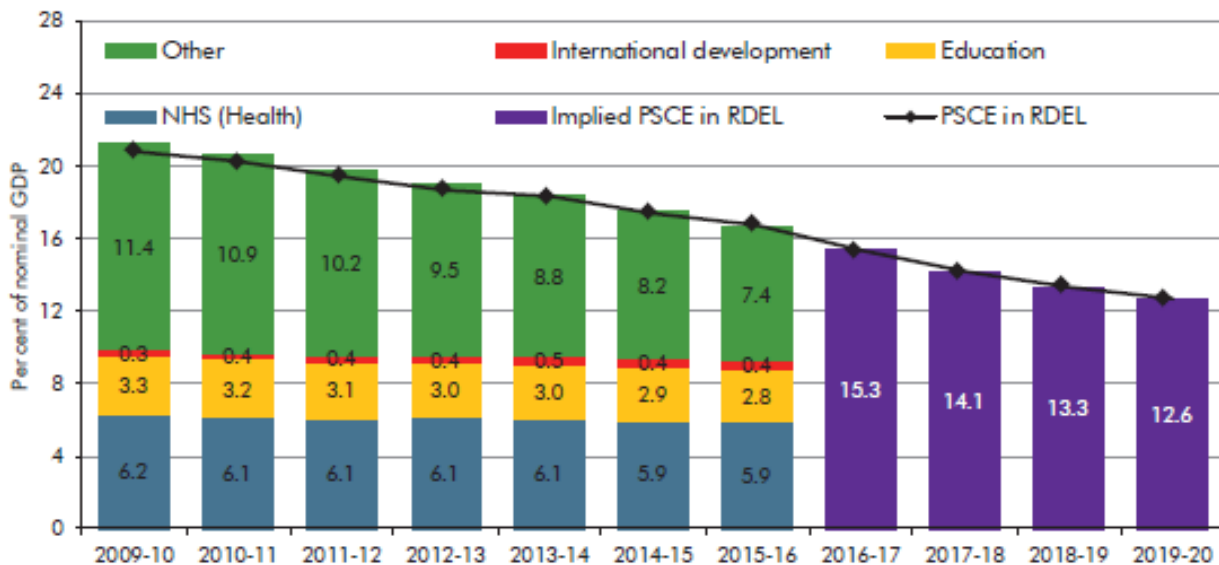


Chart 1: DEL as a proportion of GDP (from Chart 4.4 EFO December 2014)

## Police and Local Government

**Council Tax** - No new announcements on council tax were made in the Autumn Statement.

**Local Authority Members' Travel Expenses** - The Government will exempt travel expenses paid to councillors by their local authority from income tax and employee NICs. The exemption will be limited to the Approved Mileage Allowance Payment (AMAP) rates, where it applies to mileage payments. This change will take effect from 6 April 2015. [2.61]

**Bellwin Scheme** - DCLG has launched a [consultation](#) on the revised principles of the Bellwin Scheme of Emergency Financial Assistance to LAs. The consultation closes on 2 January 2015 and follows a review of the scheme.

**Public sector efficiency** - The Government will seek a further £10bn of efficiency savings by 2017/18, led by the Cabinet Office, working with HM Treasury and departments. It is not yet known how this will affect police and local government.

## Business Rates

**Review of the structure of business rates** - A review of the structure of business rates will be carried out by the Government, reporting by Budget 2016. The review will be fiscally neutral and consistent with the Government's agreed financing of local authorities. [1.161]

**Review of the administration of business rates** - The government will publish its interim findings from the review of business rates administration in December 2015, setting out how it will respond to businesses' calls for clearer billing, better information sharing and a more efficient appeal system [1.161]. The consultation process, which the [SCT responded](#) to, closed in June 2014.

**Small Business Rate Relief** - The Small Business Rate Relief (SBRR) will be doubled for a further year to provide 100% relief from business rates for 2015/16. [1.160]

**Business Rate Increases** - The business rate increase will be capped at 2% for a further year. Business rates for 2015/16 would have risen by the September 2014 RPI. £125m has been set aside to compensate local authorities for the difference between the 2% cap and the September RPI figure, as was the case for 2014/15. [1.160]

### Economic Growth and Inflation Forecasts

The OBR's forecasts of economic growth, as measured by Gross Domestic Product (GDP), have been revised upwards in the short-term but downwards in later years, since the Budget in March 2014. The table below shows annual GDP growth forecast from March and today's announcements [Table B.1].

	Gross Domestic Product (GDP) Change		
	Budget 2014	Autumn Statement 2014	Change
2013/14	1.8%	1.7%	↓
2014/15	2.7%	3.0%	↑
2015/16	2.3%	2.4%	↑
2016/17	2.6%	2.2%	↓
2017/18	2.6%	2.4%	↓
2018/19	2.5%	2.3%	↓
2019/20	n/a	2.3%	n/a

The Retail Price Index (RPI) inflation measure is used to uprate the business rate multiplier each financial year based on the previous September's figures. The OBR's updated forecasts for RPI until 2018/19 are shown in the table below.

	September Retail Price Index (RPI)		
	Budget 2014	Autumn Statement 2014	Change
2013/14	3.0%	3.0%	n/a
2014/15	2.6%	2.4%	↓
2015/16	3.2%	2.2%	↓
2016/17	3.6%	2.9%	↓
2017/18	3.8%	3.4%	↓
2018/19	3.9%	3.6%	↓
2019/20	n/a	3.6%	n/a

The OBR has revised down its forecast for unemployment in all years to 2018, and expects a rate of 6.2% in 2014, falling to 5.3% at the end of the forecast period. The OBR expects business investment growth of 7.7% in 2014. It also expects CPI inflation to be below target in 2014 through to 2017 and then to stay at target from 2017 to 2019.

### OBR Local Government Expenditure Forecasts

The OBR forecasts local government current expenditure in the Economic and Fiscal Outlook Supplementary Fiscal Tables<sup>1</sup>. The forecast provides a high-level view of the future trajectory of local authorities' main sources of funding, including council tax.

**Council Tax** - Forecasts for council tax income in England are £0.2bn higher for 2015/16 and 2016/17 than forecast in March 2014; they are slightly lower in later years. This reflects the latest information on council tax levels in 2014/15, which are slightly higher than those expected by OBR in March. The latest forecast for the changes in the council tax base assumes an increase of 1.2%

<sup>1</sup> EFO Fiscal Supplementary Tables, Table 2.24 Local Authority Current Expenditure, [http://budgetresponsibility.org.uk/pubs/Fiscal\\_Supplementary\\_Tables\\_Dec\\_2014-web517.xls](http://budgetresponsibility.org.uk/pubs/Fiscal_Supplementary_Tables_Dec_2014-web517.xls)

per year over the forecast period; however, this is higher in the near term and then slightly lower after 2015/16.

Council tax income in Wales is forecast to increase from £1.2bn in 2014/15 to £1.3bn in 2016/17, before increasing to £1.4bn in 2018/19. These estimates are broadly in line with the OBR forecast made in March.

	OBR Forecast						
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Council Tax - England	23.4	24.0	24.4	25.0	25.7	26.4	27.2
Council Tax Wales	1.2	1.2	1.3	1.3	1.3	1.4	1.4

### Summary

Amongst the other announcements made by the Chancellor in his speech, the most notable was on changes to the rates and structure of Stamp Duty. The new rates will only apply to the part of the property price that falls within that band, so there will no longer be a huge jump in stamp duty on properties just over the threshold. The decision will cost £800m and will reduce the rate of duty for 98% of all house purchases. The personal tax-free allowance will increase to £10,600 from April 2015 instead of £10,500 as previously proposed.

The OBR has increased its estimate of government borrowing for 2014/15 from £86.6bn to £91.3bn, which remains below last year's total. According to the OBR, the budget deficit is expected to fall by only £6.3bn this year to £91.3bn, only half the decrease expected in March. In his response, Shadow Chancellor Ed Balls said: 'Over two years [Mr Osborne] has revised up borrowing by £12.5bn. This means the Chancellor will have borrowed in this Parliament £219bn more than he planned in 2010'.