

Overview and Scrutiny Management Board

12 February 2016

Cabinet

16 December 2015

Implications for Durham County Council of the Government's policy programme



**Report of Corporate Management Team
Lorraine O'Donnell, Assistant Chief Executive
Councillor Simon Henig, Leader of the Council**

Purpose of the Report

- 1 On 14 January 2015, Cabinet considered the most recent report on the implications of the government's policy programme. This report provides Members with an update on the major policy developments and announcements since then and analyses the implications for the council and County Durham.

Executive Summary

- 2 Since the last report to Cabinet, the General Election took place and a new Conservative administration has been formed. The new government has outlined its initial legislative programme in the Queen's Speech and published an in-year budget to set out its financial priorities, prior to the recent publication of its spending review for 2016 to 2020.
- 3 The most significant announcements since the last report to Members relate to the following, outlined in more detail below:

- Budget 2015;
 - Queen's speech;
 - Summer budget 2015;
 - Northern Powerhouse and devolution
 - Productivity Plan;
 - Youth Employment Initiative;
 - European Union membership;
 - Welfare reform and tax credit changes;
 - Counter terrorism;
 - Spending Review 2015.
- 4 The coalition government which was formed in 2010, embarked on a major programme of public service reform to rebalance the relationship between communities, individuals and the state and to reduce the structural deficit.
 - 5 The pace of change was significant, particularly in relation to the government's austerity measures, with a wide range of public services from health, education, policing and welfare, all experiencing some of the most profound change in a generation.
 - 6 The new government has maintained some major elements of the coalition policy programme, with financial austerity, welfare reform and decentralisation emerging as initial policy priorities for the government.
 - 7 In addition, in line with the Conservative Party's manifesto pledge, the government has committed to a referendum on the United Kingdom's continuing membership of the European Union, alongside attempting to re-negotiate the terms of the country's relationship with Europe.
 - 8 Clearly, this and the continuation of austerity and the policy reforms proposed in the legislative programme, will have major implications for the council and the steps it is taking to develop an 'altogether better Durham'.
 - 9 The council and its partners are continuing to analyse the impact that government policy will have on local communities and on our ability to deliver the sustainable community strategy and are responding accordingly. Wherever possible, the council and its partners are working together to respond proactively to the government's policy changes, which will be taken into account as we develop the County Durham Sustainable Community Strategy and the council plan and supporting service plans.

Background

- 10 Cabinet has considered a number of reports on government policy since the general election in 2010, the most recent of which was on 14 January 2015. Where necessary, Cabinet has also received further policy reports on specific topics, such as changes to the NHS, health and social care and welfare reform. This report builds upon these previous briefings.
- 11 Since its formation in 2010, the coalition government embarked on a major programme of public service reform, which included the following:

- a) Deficit reduction measures across all government departments, but particularly local government;
- b) Changes to welfare to reduce spending and encourage more people to be independent;
- c) NHS and public health reforms including the introduction of clinical commissioning groups and the transfer of public health to local government;
- d) Social care reforms which brought together existing, complex legislation into a single law;
- e) Police reforms including the introduction of directly elected police and crime commissioners;
- f) Expansion of the academy programme and the introduction of free schools;
- g) Major reform of the planning system with new national planning policy guidance and the revocation of regional spatial planning;
- h) Abolition of the regional development agencies and the introduction of the national Regional Growth Fund and local enterprise partnerships;
- i) Initiatives to open up public services to greater transparency and more diverse and local patterns of control.

Budget 2015

- 12 On 18 March 2015, the Chancellor of the Exchequer delivered his final budget as a coalition chancellor.
- 13 Whilst this included a number of policy announcements, the most notable related to his forecasts for government borrowing and public spending reductions which would be taken forward by the incoming administration.
- 14 He forecast that government borrowing was set to fall as follows:
 - £97.5bn in 2013/14;
 - £90.2bn in 2014/15;
 - £75.3bn in 2015/16;
 - £39.4bn in 2016/17;
 - £12.8bn in 2017/18;
 - £5.2bn surplus in 2018/19.
- 15 This compares with his initial policy pledge when the coalition was first formed to eliminate the structural deficit by 2015.
- 16 However, compared with the 2014 budget which suggested that spending cuts would be maintained until 2020, he now suggested that the squeeze on public spending would end a year earlier than planned in 2019-2020, with spending in 2019-2020 allowed to grow in line with the growth of the economy.

- 17 Nevertheless a further £30bn of savings would need to be achieved by 2017-18, including £13bn of savings from government departments, £12bn from welfare savings and £5bn from tackling tax avoidance and evasion.

Policy changes since the general election

- 18 On 5 May 2015, the general election returned a Conservative majority, which has gone on to form the first Conservative administration since 1997.

Queen's speech

- 19 On 27 May 2015, the Queen presided over the State Opening of Parliament and delivered a speech which outlined the incoming government's legislative programme.

- 20 Twenty six bills were announced:

- a) Trade Unions Bill;
- b) Full Employment and Welfare Benefits Bill;
- c) Cities and Local Government Devolution Bill;
- d) Immigration Bill;
- e) Policing and Criminal Justice Bill;
- f) European Union Referendum Bill;
- g) Education and Adoption Bill;
- h) Housing Bill;
- i) Extremism Bill;
- j) Buses Bill;
- k) European Union (Finance) Bill;
- l) Armed Forces Bill;
- m) Childcare Bill;
- n) Bank of England Bill;
- o) Investigatory Powers Bill;
- p) Energy Bill;
- q) HS2 Bill;
- r) Charities (Protection and Social Investment) Bill;
- s) Enterprise Bill;
- t) Psychoactive Substances Bill;
- u) Draft Public Service Ombudsman Bill;
- v) Scotland Bill;
- w) Wales Bill;
- x) Votes for Life Bill;
- y) Tax Lock-National Insurance Contributions / Finance Bill;

z) Northern Ireland (Stormont House Agreement) Bill.

21 Appendix 2 provides more detail on the main bills included in the legislative programme.

Summer budget 2015

22 Following the general election, the Chancellor of the Exchequer delivered a summer budget on 8 July 2015. The government presented this as the first 'all Conservative budget' since 1997.

Public spending

23 The Chancellor revised his forecast for public sector net borrowing as follows:

- £69.5bn in 2015/16;
- £43.1bn in 2016/17;
- £24.3bn in 2017/18;
- £6.4bn in 2018/19;
- £10bn surplus in 2019/20;
- £11.6bn surplus in 2020/21.

24 In effect, this extended deficit reduction by a further year, compared with the last coalition government budget in March 2015, when the government expected to achieve a £5.2bn surplus by 2018/19.

25 In relation to departmental spending, he announced that £37bn of further spending reductions would be made by 2020, including £12bn of welfare cuts, £5bn from tax avoidance and a £20bn reduction in departmental budgets.

26 Public sector pay constraint is expected to continue with public sector pay limited to one percent per year over the next four years.

27 Overall, by the end of the parliament in 2020, spending on public services will be reduced by just under £18bn a year, compared with £42bn a year reduction previously proposed to be achieved by 2019/20.

Benefits and welfare reform

28 The Chancellor announced that £12bn less would be spent on welfare over the next four years and the day after the budget a Welfare Reform and Work Bill was published to legislate for the main measures to achieve this reduction.

29 In addition, the government confirmed that the BBC is to take on the funding of TV licences for over 75 year olds, which is seen as one of the main pensioner benefits.

30 The government subsequently published a new Employment and Welfare Bill, which was considered in more detail in a report to Cabinet on welfare reform and poverty issues on 21 October 2015.

Business

- 31 Amongst a range of announcements on business, the government confirmed that a 'Business Tax roadmap' is to be published by April 2016 to make tax changes clear to businesses and that changes are to be made to the administration of business rates to tackle avoidance and improve the appeals system.
- 32 The Chancellor also announced his intention to consult on granting the power to decide whether to extend Sunday trading hours in an area to city mayors and local authorities.

Wages, jobs and training

- 33 A compulsory national living wage will be introduced at £7.20 from April 2016 rising to £9.00 by 2020. Future rises will be recommended by the Low Pay Commission and the intention is that the National Living Wage will be at least 60 percent of median earnings by 2020.
- 34 For small and medium sized enterprises (SMEs), the employment allowance is to rise to £3,000, which will allow small firms to employ four people on the national living wage without paying any national insurance.
- 35 The government also announced its intention to consult on the introduction of an 'apprenticeship levy' on all large firms, which will provide an incentive to firms to offer apprenticeships. The move is intended to support the government's pledge to create three million additional apprenticeships by 2020. The consultation ran from 21 August to 2 October 2015.

Local growth and devolution

- 36 The Chancellor announced that agreement had been reached with the 10 authorities of Greater Manchester for more powers over fire services, land commission, children's services and employment programmes to be devolved.
- 37 To realise the 'Northern Powerhouse', he also announced that devolution deals were being prepared with Sheffield, Leeds, Liverpool and West Yorkshire and the first 'county' devolution deal with Cornwall was being negotiated.
- 38 Devolution deals with other areas will be considered and a bidding round will be introduced for more Enterprise Zones in smaller cities, towns and rural areas.
- 39 Transport for the North was also to be established as a statutory body with £30m being invested in an Oyster-style smart ticketing system across the North.

Planning and housing

- 40 In relation to planning and housing, the government confirmed its intention to further reform the planning system, most notably simplifying the process for developing on previously developed 'brownfield' land.
- 41 On housing, mortgage relief on 'buy to let' rental property will be restricted to the basic rate of income tax and from April 2017, and the system that allows Buy-to-Let landlords to offset mortgage interest payments against their income will be phased out.
- 42 Rent a Room relief, which has been frozen for 18 years will be raised from £4,250 to £7,500.
- 43 A number of changes to housing related benefits are to be made.
- 44 Local Housing Allowance, which is a benefit that helps pay the rent for people who rent from a private landlord, is to be frozen for the next four years.
- 45 The automatic entitlement for housing benefit for 18 to 21 year olds will be abolished and there will be no extra tax credit, Universal Credit, or housing benefit support for a third child after 2017.
- 46 Rents paid in social housing will be reduced by one per cent a year for the next four years, but higher earners in social housing will be required to pay market rates.

Health and social care

- 47 On health, the government confirmed that health spending will continue to be protected and that the NHS will receive a further £8bn in addition to the £2bn already pledged by 2020.
- 48 £30m will be made available to speed up adoption for 3,000 children awaiting adoption, whilst paving the way for regional adoption agencies.
- 49 Subsequent to the budget, the government confirmed that the £72,000 cap on social care costs to be met by people over 65 and younger adults with disabilities, would not now be introduced until 2020, compared with April 2016 as initially proposed. This is to allow more time to plan for the introduction of the cap and discussion with local government around how the associated increase in state support for social care will be met.
- 50 On 16 October 2015 The Rt. Hon Alistair Burt MP, Minister of State for Community and Social Care confirmed that the Better Care Fund would continue into the 2016-17 financial year. The local flexibility to pool more than the mandatory amount will remain; however, detail about the minimum size of the Fund will not be confirmed until after the Spending Review, when greater clarity on the policy framework that will underpin the Better Care Fund next year will be provided. Confirmation that the Fund will continue next year should allow local authorities to start planning for 2016-17.
- 51 As part of wider government action on deficit reduction, a consultation was carried out in August 2015, setting out options for in-year savings to 2015/16

local authority public health allocations, amounting to £200 million. After considering consultation responses including Durham's, the government confirmed on 5 November 2015 that the Department of Health will proceed with its preferred option of reducing every local authority's allocation by a standard, flat rate percentage.

- 52 The government is also currently consulting on the methodology for the public health grant allocation for 2016. The proposed formula is complex and includes five elements related to standard mortality ratio, weighting, substance misuse modelled activity, sexual health treatment services modelled activity and 0-5 years based on population, poverty and sparsity. The council has submitted a response to the consultation, which ended on 6 November 2015; further information is awaited following the comprehensive spending review.

Education

- 53 The cap on student numbers in universities is to be removed and universities will be able to increase tuition fees in line with inflation, if they reach certain teaching standards.
- 54 From 2016/17 maintenance grants, which are paid to disadvantaged students will be replaced with new maintenance loans, which would only get paid back when the person earns over £21,000. The value of the maintenance loans compared with the grant is to be increased to £8,200.
- 55 A network of national colleges is to be established to provide professional and technical routes into employment.
- 56 This will coincide with the introduction of a 'Youth Obligation' for 18 to 21 year olds to ensure that they are in education if they are receiving unemployment benefits.
- 57 Appendix 3 contains a comprehensive list of the other main announcements in the budget statement.

Northern powerhouse and devolution

- 58 In the lead-up to the March 2015 budget, the Chancellor made various announcements concerning the development of a 'Northern powerhouse', based on promoting economic growth across the major cities of the north of England, in order to counter-balance the concentration of economic growth, investment and employment in the south, principally London and the greater south east.
- 59 Following the general election, on 12 May 2015, Stockton South MP, James Wharton was appointed Parliamentary Under Secretary of State for Communities and Local Government (Northern Powerhouse). The following day, the Prime Minister made Stockton-on-Tees, the location for his first post-election visit, where he announced that the new Minister, along with Greg Clark MP, the newly appointed Secretary of State for Communities and Local Government, would be focusing on 'empowering our great northern cities and

making sure we drive power out of London, out of Westminster, out of Whitehall'.

- 60 On 14 May 2015, the Chancellor of the Exchequer announced plans to devolve more powers to major cities in northern England. He outlined plans to give English cities powers over housing, transport, planning and policing, in line with his plans to create a 'Northern Powerhouse'.
- 61 Initial devolution deals were proposed for Sheffield, Leeds, Liverpool, West Yorkshire and Cornwall and the Cities and Local Government Devolution Bill which would enact these deals was introduced to parliament on 21 July 2015.
- 62 Since then, two further deals have been negotiated and agreed for the North East covering the North East Combined Authority (NECA) area and the Tees Valley area.
- 63 The proposed agreement for the NECA area includes:
- a) Up to £1.5bn pumped into a new North East Investment Fund. This will be targeted towards boosting economic growth and supporting the region to compete in international markets. It will include an initial funding allocation of £30m a year over 30 years;
 - b) The creation of an Employment and Skills Board to manage an overhaul of post-16 skills training and employment support in order to get more people into work, increase productivity, improve the life chances of young people and address the skill shortages experienced by North East employers;
 - c) From 2017, a new devolved approach to business support, which will simplify and strengthen the support available for business growth, innovation and global trade in the North East in order to deliver the ambition set out in the North East Strategic Economic Plan to create 100,000 jobs;
 - d) The establishment, in partnership with the NHS, of a Commission for Health and Social Care Integration. This will look at the potential for further integration of health services – including acute and primary care, community services, mental health services, social care and public health – in order to strengthen services, improve outcomes and reduce health inequalities;
 - e) An ambitious target to increase the number of new homes in the region. This will include the creation of a North East Land Board to identify potentially suitable locations for housing or economic development and the devolution of some statutory planning powers;
 - f) Devolved responsibility for the region's transport budget along with responsibility for transport delivery, including infrastructure improvements and the development of smart ticketing across public transport networks in the area.

- 64 A more detailed report on the proposed devolution deal and the public consultation the council intends to undertake on the agreement was considered by Full Council at its meeting of 9 December 2015.

Productivity Plan

- 65 On 10 July 2015, the government published *Fixing the Foundations: Creating a more prosperous nation*, its 'productivity plan' to speed-up economic growth.
- 66 The plan illustrated how the government thinks that a number of its existing commitments and policy pledges will encourage long-term investment in economic capital, including infrastructure, skills and knowledge; and promote a dynamic economy that encourages innovation and helps resources flow to their most productive use.
- 67 As part of the plan, the government outlined a number of new reforms intended to introduce more planning freedoms and to encourage more housebuilding:
- a) The introduction of a 'zonal system' to enable automatic planning permission on suitable brownfield sites;
 - b) Powers to allow government to intervene and draft Local Plans to address housing need;
 - c) Penalties for local authorities that fail to make 50 percent or fewer planning decisions on time;
 - d) Any major infrastructure project which has "elements of housing development" will be fast-tracked under the Nationally Significant Infrastructure Regime (NSIP);
 - e) Requiring higher-density development around key commuter hubs;
 - f) Working with the Mayor of London, proposals to end the need for planning permission for upwards extensions for a limited number of storeys up to the height of the adjoining building in the capital;
 - g) Stronger compulsory purchase powers to bring forward more brownfield land, and devolution of planning powers to the Mayors of London and Manchester;
 - h) A major package to support for SME housebuilders, including new sanctions for local authorities not processing smaller planning applications on time, with earlier fee refunds.

Youth Employment Initiative

- 68 In January 2013, the European Council created the Youth Employment Initiative (YEI) in order to tackle the high levels of youth unemployment across member states. The initiative is directed at young people aged 15-24 years old who are unemployed or inactive.
- 69 In the United Kingdom, County Durham was identified as an eligible area for YEI with a provisional allocation of £17.87m. The council submitted an initial application for funding in May 2015, which progressed to full application, which has been assessed by the Department for Work and Pensions (DWP)

with the results submitted to the European Structural and Investment Funds (ESIF) sub-committee. At the time of writing, the outcome of the full application is expected shortly.

European Union membership

70 In its general election manifesto, the Conservative Party committed to holding an 'in – out' referendum on the United Kingdom's continuing membership of the European Union.

71 In the Queen's Speech, the government included a proposed EU Referendum Bill, which would allow for a referendum to take place by the end of 2017, after the government has attempted to re-negotiate the terms of the UK's relationship with the EU.

72 Although the date of the referendum has yet to be confirmed, the Electoral Commission has recommended that the question and response options should be:

Should the United Kingdom remain a member of the European union or leave the European Union?

- *Leave the European Union*
- *Remain a member of the European Union*

73 In an amendment to the EU Referendum Bill, the government sought to suspend the usual publicity restrictions in the run-up to a referendum, so that it would be able to comment and campaign on the issue during the 28 day period in advance of the poll.

74 However, on 9 September 2015, the government experienced its first parliamentary defeat when MPs voted against the amendment.

Welfare reform and tax credit changes

75 On 9 July 2015, the government published the Welfare Reform and Work Bill to legislate for the reforms it wants to make. The bill makes provision for:

- a) reporting on progress towards full employment and the apprenticeships target, child poverty measures and the effect of certain support for troubled families;
- b) reform of the social mobility and child poverty commission;
- c) the benefit cap;
- d) freezing social security and tax credits;
- e) loans for mortgage interest;
- f) social housing rents.

76 The bill passed its second reading in the House of Commons on 20 July 2015.

- 77 MPs also agreed a programme motion which scheduled the bill to be considered in a public bill committee, where they could consider the bill in detail and make amendments to it. The first meetings of the public bill committee took place on 15 and 17 September 2015 and proceedings concluded on 15 October 2015.
- 78 Alongside the bill, the government proposed changes to eligibility and the rate of payment from tax credits.
- 79 These are a series of benefits introduced to help low-paid families. Working Tax Credit (WTC) helps those in work, and Child Tax Credit (CTC) helps those with children.
- 80 The government proposed that from April 2016, the income threshold for Working Tax Credits - £6,420 – should be cut to £3,850 a year and that the threshold for those only claiming CTCs should be cut from £16,105 to £12,125 a year.
- 81 In addition, the government proposed that the rate at which tax credit payments are reduced should increase. The current ‘taper rate’ is based on 41p reduction for every £1 claimants earn above the threshold. From April 2016, the government proposed that the taper rate should accelerate to 48p.
- 82 Overall the changes were forecast to achieve spending reductions of £4.4bn.
- 83 However, on 26 October 2015, the government’s proposals were defeated in the House of Lords, with peers backing two motions for ‘full financial redress’ for those affected by the proposed cut, and for the implementation of the change to be delayed until a full impact assessment had been undertaken.
- 84 Following the defeat, the government announced that it would introduce some form of ‘transitional help’, with the details confirmed in the autumn statement on 25 November 2015, alongside the spending review.
- 85 Further detail on the welfare changes is contained in the report considered by Cabinet on 21 October 2015.

Counter terrorism

Counter Terrorism and Security Act 2015

- 86 The Counter Terrorism and Security Act 2015, places a general duty on specified authorities, including local authorities, police, prisons, probation, further and higher education, NHS Trusts/Foundation Trusts and clinical commissioning groups, who must, in the exercise of their functions, have due regard to the need to prevent people from being drawn into terrorism.
- 87 In March 2015, Parliament approved guidance issued under section 29 of the Act about how specified authorities are to comply with the Prevent duty. Specified authorities must have regard to this guidance when complying with the Prevent duty. The ‘Prevent Duty Guidance’ will require specified authorities to understand the terrorist ideology and the threat and risk this represents to the local area.

88 Following the terrorist attacks in Paris last month, the Prime Minister announced that as part of the Strategic Defence and Security Review, the government is to appoint over 1,900 additional security and intelligence staff and invest more in increasing the network of counter-terrorism experts in the Middle East, North Africa, South Asia and Sub-Saharan Africa. He also pledged to at least double spending on aviation security.

Counter Extremism Bill

89 In May 2015 a Counter Extremism Bill was included in the Queen's Speech. The bill, which is still to be published, will include:

- Banning Orders: a new power for the Home Secretary to ban extremist groups;
- Extremism Disruption Orders: a new power for law enforcement to stop individuals engaging in extremist behaviour;
- Closure Orders: a new power for law enforcement and local authorities to close down premises used to support extremism.

Counter Extremism Strategy

90 On 20 October 2015, the government published its Counter-Extremism Strategy, which builds upon the new 'Prevent' duty, and is aimed at countering all forms of extremism: violent and non-violent. The purpose of the strategy is to improve understanding of the causes and impacts of extremism and to do more to counter the extremist ideology, build partnerships with those opposed to extremism, disrupt extremists and build more cohesive communities.

91 To ensure all institutions are safeguarded from the risk posed by 'entryism', (the term used to describe infiltration by extremists) and to improve the way institutions can protect themselves from being targeted by extremists, a full review across the public sector will need to take place. The review will clearly set out the risk posed and advise on measures to guard against entryism, for example, by improving governance, inspection and whistle-blowing mechanisms.

92 To help raise concerns about extremism and to prompt local action, a new 'Extremism Community Trigger' will be introduced to guarantee that concerns about local extremism will be taken seriously.

93 A review, conducted by Louise Casey, into how to boost opportunity and integration in the most isolated communities is to be undertaken, which will inform funding for a major new Cohesive Communities Programme in 2016.

Spending review 2015

94 On 22 July 2015, the government published a paper on its approach to the spending review.

- 95 In line with the Summer budget, the government plans to reduce departmental spending by a further £20bn by 2018/19 in order to help to eliminate the deficit by 2019/20.
- 96 Welfare spending will also be reduced by £12bn and the government expects to raise £5bn by clamping down on tax avoidance.
- 97 Spending on the NHS, defence, overseas development and education will continue to be protected, which means that the spending reductions will be borne by 'unprotected' departments.
- 98 Ministers were consequently asked to identify how they would achieve spending reductions of 25 per cent and 40 percent, for discussion and negotiation with the Treasury before the spending review was published.
- 99 On 9 November 2015, it was announced that the government departments for Transport, Communities and Local Government and Environment had provisionally agreed to 30 percent spending reductions over the next four years, through a combination of efficiency savings and closing low value programmes.
- 100 On 25 November 2015, the government published the review alongside the Autumn statement.
- 101 The forecast for government borrowing was updated as follows:
- £73.5bn deficit in 2015/16;
 - £49.9bn deficit in 2016/17;
 - £24.8bn deficit in 2017/18;
 - £4.6bn deficit in 2018/19;
 - £10.1bn surplus in 2019/20;
 - £14.7bn surplus in 2020/21.
- 102 Overall day-to-day departmental spending is to be reduced by £20bn by 2020, with a further £12bn to be saved from spending on welfare.
- 103 On average, the government expects that departmental spending will be reduced by 0.8 percent per year, however spending on defence, the NHS, international development, education and policing is to be protected and in some instances, increased.
- 104 Spending on the main departments which affect local government are to be reduced as follows:
- | | |
|-------------------------------------|-------------|
| • Transport | 37 percent; |
| • Communities & Local Government | 29 percent; |
| • Energy & Climate Change | 22 percent; |
| • Business, Innovation & Science | 17 percent; |
| • Environment, Food & Rural Affairs | 15 percent. |
- 105 Local government grant expenditure is to be reduced by £6.1 billion by 2019/2020. However, the government claims that when forecast increases to other sources of local government income are taken into account, overall local

government spending will be higher in cash terms by 2019/20 than in it is 2015/16.

- 106 Further detail on the spending review is included in the report on the council's medium term financial plan, also being considered at today's meeting of Cabinet.
- 107 A more detailed analysis of the implications for the council will be included in the next report on the council's medium term financial plan to be considered by Cabinet at its meeting on 13 January 2016. However, for now a summary of the main policy announcements in the spending review is attached as Appendix 4.

Implications

- 108 The government's policy proposals have many implications for the county and the council, its role and function and the way it works with and relates to local communities and strategic partners. Below, we provide a commentary against the strategic themes of the Council Plan and County Durham Sustainable Community Strategy.

Altogether better council

- 109 The government appears to be maintaining and extending a number of policies developed by the previous administration, for example the academies and free school programmes, welfare changes and trade union reform.
- 110 However, it should be noted that the current make-up of parliament is such that the government cannot expect smooth passage for its policy reforms and it has already suffered parliamentary defeats and been forced into making concessions around key policy reforms, for example mitigation around the proposed changes to tax credits.
- 111 Clearly, from the budget and spending review announcements made by the Chancellor since the last report to Members, there will be little let-up in the spending reductions the council has to face. The prospect of the austerity programme being eased in 2019/20, as indicated in the March 2015 budget, now seems more uncertain. The forecast in March that public sector net borrowing would achieve a £5.2bn surplus in 2019/20, was revised down in the summer budget to a £6.4bn deficit in 2019/20, with a surplus being achieved the following year.
- 112 In effect, the government has extended the deficit reduction programme by a further year to allow it more time to make the spending reductions which it wants to make.
- 113 The council will also need to take into account the impact of the introduction of the National Living Wage, not just on its own wage bill, but more so on third parties, from which we commission services.
- 114 The council is still in the process of assessing the impact of the announcements made in the Spending Review. However, the significant reductions in spending accepted by the departments for Communities and Local Government, Transport, and Environment, Food and Rural Affairs are

likely to have significant impacts on the council and its partners, as they are three of the most important government departments, which fund and influence our work.

- 115 Whilst the government maintains that local government spending in 2020 will be at the same level as it is in 2015/16, this relies on increases in alternative sources of income other than government grant, a number of which – such as greater reliance on Business Rates revenue – have yet to be set out in detail or fully explained.
- 116 In addition, it should be noted that the government is looking towards increased local taxation via a 2 percent increase on council tax to meet the escalating costs of social care.
- 117 Given on-going austerity and the significant changes to how public services are to be funded, the council and its partners will therefore be undertaking a fundamental review of the council plan and the sustainable community strategy for the county in the coming year.

Altogether wealthier

- 118 Clearly, the outcome of European Union membership referendum will have profound economic implications for the county, and the council in terms of the legal framework it operates within and the funding of its work.
- 119 One of the main areas of reform which the government has chosen to maintain and extend is welfare reform. A more detailed analysis of the most recent changes to welfare was considered by Cabinet at its meeting of 21 October 2015.
- 120 Since the general election, the government has sought to progress its agenda for devolution, particularly around economic planning and growth.
- 121 Whilst this is to be welcomed, it should be noted that the government has required local areas to work to very tight timescales, particularly in relation to considering and consulting on proposals. For example, following the summer budget on 8 July 2015, the government confirmed that it would entertain a proposal from the North East Combined Authority (NECA) for increased devolution, but required NECA to submit its proposals by 4 September 2015. This was a very tight timescale and required the NECA authorities to consult and engage local stakeholders and communities for a limited period over the summer months, which tends to be a difficult time to consult and engage.
- 122 That said, the Northern powerhouse announcements and subsequent proposed devolution agreements for the NECA local authorities, and those in Tees Valley, offer the prospect for parts of the North East including the county to be better able to plan for and realise economic growth. The proposed agreement for NECA area is subject to parliamentary approval, the spending review and further consultation with local stakeholders and communities. As Members will be aware, in line with our commitment to consult and engage local communities, the council has been consulting local stakeholders on the agreement and will be polling local residents in the new year.

- 123 The government's 'productivity plan' included a number of further reforms to the planning system, including penalties for local authorities around poor performance on determining planning applications including those from smaller housebuilders.
- 124 Given the increase in housing numbers to meet current and anticipated demand proposed in the draft County Durham Plan, and the new regime of sanctions and penalties around performance on determining planning applications, it will be important to progress and conclude the County Durham Plan, so that the council and developers have clarity around the planning policy framework within the county.
- 125 The announcement in the summer budget that the government intends to introduce an 'apprenticeship levy' – confirmed at 0.5 percent for larger employers in the Spending Review - is to be welcomed as it should provide an incentive to firms to offer apprenticeships, increasing the overall number of places available to young people. As a large employer, it would have a financial implication on the council, but it is hoped that we would be allowed to invest what we would be expected to pay via the levy, into our own post-16 apprenticeship programme, which we have sought to develop and expand over recent years.

Altogether healthier

- 126 The decision to delay the introduction of the £72,000 cap on meeting social care costs by people over 65 or young adults with disabilities, by four years will allow councils more time to discuss with government how the associated increase in state support for social care will be met, and more time to plan for the introduction of the change.
- 127 Similarly, the confirmation that the Better Care Fund is to continue into next year, allows council to start to plan ahead for 2016/17, although we are still waiting confirmation for how much funding we are to receive.
- 128 However, the in-year cut to the council's public health grant for 2015/16 is over £3.1m and equates to 6.2 percent of the grant. The cut will be made by reducing the fourth quarterly instalment of the grant, which will be brought forward from January 2016 to November 2015.

Altogether safer

- 129 Under the Counter Terrorism and Security Act 2015, specified authorities will need to ensure front-line staff understand 'Prevent' and are able to recognise when an individual shows potential signs of being vulnerable to radicalisation and what to do about it. They will also need to provide early intervention so that those most at risk are given support at an early stage.
- 130 Local authorities are expected to use the existing counter-terrorism local profiles (CTLPs), produced by the police, to assess the risk of individuals being drawn into terrorism. This includes not just violent extremism but also non-violent extremism, which can create an atmosphere conducive to terrorism and can popularise views which terrorists exploit.

- 131 Section 36 of the Act requires local authorities to put in place, chair and manage a multi-agency panel, called Channel, that will receive referrals about people suspected of being vulnerable to radicalisation. The council's panel is chaired by the Strategic Manager of the Youth Offending Service and has representation from Durham Constabulary. Local Channel guidance and procedures are currently being finalised and will be communicated to staff and partners, as appropriate.
- 132 The council has a comprehensive action plan in place for implementing the 'Prevent' duty. In addition, the Safe Durham Partnership is carrying out a review of the collective response of all relevant partner authorities.
- 133 The Counter Extremism Bill is expected to be introduced by the end of the year and we will assess the impact and implications for the council and its partners when it is published.
- 134 With regards to the Counter Extremism Strategy, further information for local authorities and partners is expected to be issued by the Home Office next year, which will provide clear guidance on the full range of tools available to tackle extremism including clarity of the types of groups that will be viewed extremist and information on the new community trigger. At the same time, a review will be undertaken of the powers available to enable government to intervene where councils fail.
- 135 The new 'Extremism Community Trigger' will require the police and local authorities to fully review any complaints about extremism and work in partnership to tackle local extremist issues, and keep the public informed about their actions.
- 136 The government is giving the council a £10,000 one-off payment to help cover the costs of its additional responsibilities and has also introduced a Project Innovation Fund for Prevent which offers the prospect of funding for project proposals up to the value of £100,000 including VAT. As with all 'challenge' type funds, applications will be considered on a competitive basis.
- 137 The council is also awaiting the outcome of the spending review to see whether it is to receive New Burdens funding to help meet the costs of its additional duties.
- 138 The proposed criminalisation of psychoactive, so-called 'legal high' substances is to be welcomed, as it will have community safety and health benefits for the county.

Altogether Better for children and young people

- 139 The government has confirmed that it intends to continue and extend its academy and free schools programmes, which means that further funding will be re-directed from the council to schools. This will affect the sustainability of core school support and improvement functions and will require the council to extend the trading model which it has already established for a number of school support functions and services.
- 140 The potential to expand university student numbers offers the prospect of increasing access to higher education for people in the county, if local higher

education institutions respond. However, the decision to replace maintenance grants for disadvantaged students with loans may discourage people from poorer backgrounds from considering higher education as an option.

141 Although a welfare reform, the new Youth Obligation, which requires 18 to 21 year olds to ensure that they are in education (or training) if they are receiving unemployment benefits will have implications for youth employment and participation services in the county. It is also another example of where the government is extending the principle that society expects benefit support to be earned as opposed to a natural entitlement.

142 It is therefore positive that the county has received a provisional allocation from the European Council of nearly £18m under the Youth Employment Initiative with an allocation of £17.87m. The funding will help to improve the immediate and longer term economic, social and health benefits for approximately 5,500 young people in the county.

Implications for partnership working

143 Given the scope of government reforms, the council continues to work with partners to ensure that we achieve the aims of the sustainable community strategy.

144 The County Durham Partnership considers these policy implications reports alongside Cabinet and Corporate Issues Overview and Scrutiny Committee. Emerging government policy and legislation will be taken into consideration, as the partnership reviews the sustainable community strategy for the county.

145 Given the continuation of austerity and the new policy programme outlined by government, the partnership will undertake a more fundamental review of the sustainable community strategy in the coming year. As a result, the council will also need to review its council plan and service plans, in order to determine its priorities and actions and contributions towards achieving the sustainable community strategy.

Conclusions

146 The coalition government presided over an unprecedented period of public service reform and the first austerity programme since the 1930s.

147 The new Conservative government has maintained some major elements of the coalition policy programme, with financial austerity, welfare reform and decentralisation emerging as initial policy priorities for the government, alongside its commitment to hold a referendum on the United Kingdom's continuing membership of the European Union.

148 Clearly, this and the continuation of austerity and the policy reforms proposed in the legislative programme, will have major implications for the council and the steps it is taking to develop an 'altogether better Durham'.

149 The council and its partners are continuing to analyse the impact that government policy will have on local communities and on our ability to deliver the sustainable community strategy and are responding accordingly.

Wherever possible, the council and its partners are working together to respond proactively to the government's policy changes, which will be taken into account in as we develop the County Durham Sustainable Community Strategy and the council plan and supporting service plans.

Recommendations

150 Members are recommended to note the contents of this report and the actions taken to anticipate and respond to the government's reforms.

Background papers

Contact: Kevin Edworthy Tel: 03000 268045

Appendix 1: Implications

Finance – The government’s decision to continue with its austerity programme will have on-going financial implications for the council, which will have to continue to reduce spending within its medium term financial plan.

Staffing – No specific implications have been identified.

Risk – Individual assessments of the risks associated with specific policy proposals are undertaken as a matter of course in council project planning and management.

Equality and Diversity – Equality impact assessments will be undertaken on individual policy proposals the council develops in response to the government’s reforms.

Accommodation – No specific implications have been identified.

Crime and Disorder – No specific implications have been identified beyond those discussed in the section on counter terrorism.

Human Rights – No specific implications have been identified.

Consultation – No specific implications have been identified.

Procurement – No specific implications have been identified.

Disability Discrimination Act – No specific implications have been identified.

Legal Implications – A number of the government policy changes outlined above, place new statutory duties on the council and change the regulatory framework in which it operates. The council considers the legal implications of all decisions it takes.

Appendix 2: Legislative programme outlined in the Queen's Speech, May 2015

EU Referendum Bill

This will pave the way for an in/out referendum on Britain's membership of the European Union by 2017 at the latest.

Full Employment and Welfare Benefits Bill

This bill is designed to achieve full employment "and provide more people with the security of a job". The aim is for two million more jobs and three million new apprenticeships to be created. Ministers will be required to report annually to Parliament on their progress. The legislation will also implement a planned reduction in the welfare cap - from £26,000 to £23,000, and freeze working-age benefits, tax credit and child benefit for two years. As part of the government's welfare reforms, young people will be required to "earn or learn", with automatic entitlement to housing benefit for 18-21-year-olds scrapped.

Enterprise Bill

This bill will include measures to reduce regulation on small businesses in a bid to boost job creation. It will seek to cut red tape for British business by at least £10bn and, for the first time, require independent regulators to contribute to that target. In addition, it proposes to create a new Small Business Conciliation Service, to help settle disputes between small and large businesses, especially over late payment practices. The government also aims to improve the business rates system ahead of the 2017 revaluation, including by modernising the appeals system. It also proposes to introduce a cap on public sector redundancy payments to six figures for the highest earners.

National Insurance Contributions and Finance Bill

This bill is designed to enact a series of tax pledges made by the Conservatives during the general election campaign to "reward those who work hard and do the right thing". Specifically that there would be no rise in income tax rates, VAT or national insurance before 2020 and that "no one working 30 hours on the minimum wage pays any income tax at all". It will also enact a commitment to raise the threshold before which people pay income tax to £12,500.

Childcare Bill

The bill will include measures to help working people "by greatly increasing the provision of free childcare". Under the proposals, parents in England would be entitled to 30 hours a week of free childcare for their three- and four-year-olds, for 38 weeks of the year. Currently, they are entitled to 570 hours of free early education or childcare a year, which works out as 15 hours each week over the 38-week period.

Housing Bill

The bill is intended to support home ownership and extend the right-to-buy scheme to 1.3 million social housing tenants in England. Under the plans, housing association tenants will be able to buy the homes they rent at a discount. There will also be help for first-time buyers, with 200,000 starter homes made available to under-40s at a 20 percent discount. Both are commitments which were included in the Conservatives' general election manifesto. The government says the bill will increase the housing supply and ensure local people have more control over planning.

Energy Bill

Measures will be introduced to "increase energy security" and ensure there will be "affordable and reliable energy for businesses and families". The government proposes to establish the Oil and Gas Authority as an independent regulator, charged with regulation of domestic oil and gas recovery. It would transfer responsibility for giving consent for any large onshore wind farms in England and Wales from Whitehall to local planning authorities.

Immigration Bill

The government is promising to "control immigration" and put "hard-working British families first". This bill is designed to support working people, clamp down on illegal immigration and protect public services. Specifically, it will include a new offence of illegal working - with police given the power to seize the wages paid to illegal workers as the "proceeds of crime". There are also proposals to deal with unscrupulous landlords and to evict illegal migrants more quickly, while all foreign criminals awaiting deportation will be fitted with satellite tracking tags. It will also become an offence for businesses and recruitment agencies to hire abroad without first advertising in the UK and a new enforcement agency will be set up to tackle the worst cases of exploitation.

Cities and Local Government Devolution Bill

This paves the way for powers over housing, transport, planning and policing to be devolved to England's cities as part of government plans for "a balanced economic recovery". Cities that want them will be able to have elected mayors.

HS2 Bill

The government is pressing ahead with legislation that will eventually enable work to start on the £50bn HS2 high-speed rail link. Legislation which will give the government the legal powers to construct and operate the London to Birmingham first phase of HS2 is going through Parliament. If it progresses smoothly, it should receive Royal Assent around the end of 2016, with work beginning on the project in 2017, with a finishing date of 2026.

Scotland Bill

The government will press ahead with further Scottish devolution as part of plans to deliver "a strong and lasting constitutional settlement". The Scottish Parliament will be given new tax and welfare powers, under the proposals. It follows the recommendations of the Smith Commission on Scottish devolution.

Wales Bill

There will also be further devolution of powers to Wales, including a new reserved powers model to clarify the division of powers between the Welsh Assembly and Parliament. The assembly will also be given more powers over energy, transport and local government elections in Wales.

Northern Ireland Bill

There will be a bill to give effect to the Stormont House Agreement in Northern Ireland. It will provide for full and independent investigations into unsolved Troubles-related deaths.

Psychoactive Substance Bill

This bill introduced legislation for a blanket ban on so-called legal highs "protect UK citizens from the risks posed by untested, unknown and potentially harmful drugs". It would be an offence to produce, supply, offer to supply, possess, import or export psychoactive substances.

Extremism Bill

This includes measures to tackle broadcasting of extremist material. The government wants to strengthen the watchdog Ofcom so that it can take action against channels that transmit extremist content. The legislation will also propose the introduction of banning orders for extremist organisations who use hate speech in public places, but whose activities fall short of proscription. A new power to allow police and local authorities to close down premises used to support extremism will also feature. Employers will also be able to check whether an individual is an extremist and barring them from working with children.

Investigatory Powers Bill

A bill which revives plans to give intelligence agencies new tools to target communications data. The government says it will equip the police intelligence agencies with the tools to keep people safe.

Policing and Criminal Justice Bill

The bill includes plans to reform pre-charge bail in England and Wales - with an initial 28-day limit, and to ban the use of police cells for the emergency detention of mentally ill people under the Mental Health Act. There are also proposals to reform the Police Federation in England and Wales, and plans to extend police-led prosecutions and overhaul the complaints system. Measures to strengthen child protection also feature.

Trade Unions Bill

The main elements of the Bill are a 50 percent voting threshold for union strike ballot turnouts, and a requirement that 40 percent of those entitled to vote must back action in essential public services - health, education, fire and transport. Time limits will also be introduced on a mandate following a ballot for industrial action. There will also be the introduction of "a transparent opt-in process for the political fund element of trade union subscriptions".

Education and Adoption Bill

This bill is designed to raise standards in schools. Under the plans, new powers would be brought forward to speed up the process of changing a failing school's leadership and turning it into an academy. Those considered to be "coasting" would also face being taken over. The bill will also give the education secretary new powers to force local councils to hand over their responsibilities for adoption to another authority or agency.

Armed Forces Bill

This bill is designed to continue in force the legislation governing the Armed Forces. It would also make provision for other defence matters.

Bank of England Bill

This piece of legislation is designed to "further strengthen" the governance and accountability of the Bank of England. It will include measures working towards aligning monetary policy, macro prudential policy and micro prudential regulation.

(Protection and Social Investment) Bill

Measures to protect charities from abuse and to strengthen the powers of the Charity Commission for England and Wales feature in this bill. It is also designed to enable charities to more easily undertake social investments.

Votes for Life Bill

The speech set out plans for legislation to scrap the current 15-year time limit on UK citizens living abroad voting in Westminster and European elections. The government says it would make it easier for overseas electors to cast their votes in time to be counted, and encourage larger numbers of British citizens living abroad to register to vote in UK elections.

European Union (Finance) Bill

The purpose of this bill is to give UK approval to the financing aspect of the seven year EU Budget deal agreed in 2013, which saw a real-terms cut in EU spending. It would preserve the UK's rebate, and prevent new EU-wide taxes to finance EU spending.

Buses Bill

This bill would provide the option for combined authority areas with directly-elected mayors to be responsible for the running of their local bus services, which would help them to promote an integrated transport system.

Draft Public Service Ombudsman Bill

This draft bill proposes to reform and modernise the Public Service Ombudsman sector to provide "a more effective and accessible final tier of complaints redress within the public sector". It would absorb the functions of the Parliamentary Ombudsman, the Health Ombudsman, and the Local Government Ombudsman and potentially the Housing Ombudsman.

Appendix 3: Main announcements in Summer Budget 2015

Economic outlook

- UK growth in 2014 adjusted up from 2.7 percent to 3 percent.
- Growth forecast to be:
 - 2.4 percent in 2015
 - 2.3 percent in 2016
 - 2.4 percent in 2017 and each year thereafter to 2020
- One million new jobs to be created by 2020.

Government borrowing

- Public sector net borrowing (as a proportion of GDP):
 - 3.7 percent in 2015/16
 - 2.2 percent in 2016/17
 - 1.2 percent in 2017/18
 - 0.3 percent in 2018/19
 - 0.5 percent in 2019/20
 - 0.4 percent in 2020/21
- Net borrowing is forecast to be:
 - £69.5bn in 2015/16
 - £43.1bn in 2016/17
 - £24.3bn in 2017/18
 - £6.4bn in 2018/19
 - £10bn surplus in 2019/20
 - £11.6bn surplus in 2020/21
- In effect, deficit reduction extended for a further year, because in the March 2015 budget it was forecast that a £5.2bn surplus would be achieved by 2018/19.
- Net debt forecasts (as a proportion of GDP) is forecast to be:
 - 80.3 percent in 2015/16
 - 79.1 percent in 2016/17
 - 77.2 percent in 2017/18
 - 74.7 percent in 2018/19
 - 71.5 percent in 2019/20
 - 68.5 percent in 2020/21

Departmental spending

- £37bn of further spending reductions by 2020, including £12bn of welfare cuts, £5bn from tax avoidance and a £20bn reduction in departmental budgets.
- One percent public sector pay rise to continue for next four years.
- By the end of the parliament, spending on public services will be reduced by just under £18bn a year, compared with £42bn a year reduction previously proposed to be achieved by 2019/20.

Taxes and allowances

- Personal allowance will rise to £11,000 next year, from £10,600 at the moment.
- Once the £12,500 goal is met, the threshold will be tied to the minimum wage.
- The 40p threshold will be £43,000 from next year, up from £42,385 - set to reach £50,000 by 2020.
- Inherited non-domestic status to be abolished with an end to 'non-doms' being allowed to shift residences in the UK offshore to avoid inheritance tax and a time limit on 'non-dom' status for anyone resident in the UK for 15 of the last 20 years.
- Up to £1m can be passed on without inheritance tax.
- Investment fund managers will pay the full capital gains tax rate on their carried interest.
- Taxation on dividends to be simplified, with dividend tax credit to be replaced with a tax-free allowance of £5,000 of dividend income for all taxpayers.
- New legislation will be introduced to refund to eligible public bodies the VAT incurred on specified shared services.

Benefits and welfare reform

- £12bn less to be spent on welfare over the next four years.
- A Welfare Reform and Work Bill will be published on Thursday, 9 July 2015.
- Legislation to freeze working age benefits for four years, with the exception of maternity pay, personal independence payments, disability pay and Employment and Support Allowance.
- Youth obligation for 18-21 year olds to "earn or learn".
- Abolishing automatic entitlement for housing benefit for 18-21 year olds.
- Employment and Support Allowance will be cut to the level of Jobseeker's Allowance for those deemed fit to work - for future claimants only.
- Increasing child care for up to 30 hours per week.
- Rents paid in social housing will be reduced by one percent a year for next four years.
- The use of lifetime tenancies in social housing will be reviewed.
- £800m of funding for Discretionary Housing Payments will be provided over the next five years.
- Technical cuts to tax credits: Universal Credit work allowances will be similarly reduced – and will no longer be awarded to non-disabled claimants without children.
- The rate at which a household's Tax Credit award is reduced as they earn more will be increased, by raising the taper rate to 48 percent. The income rise disregard will be reduced from £5,000 to £2,500 – the same level at which it was originally set in 2003.
- The benefits cap will be reduced to £20,000 (£23,000 in London) from £26,000 a year.
- There will be no extra tax credit, Universal Credit, or housing benefit support for a third child after 2017.

- There will be provisions for exceptional circumstances like "multiple births".
- From September 2017, all working parents will receive up to 30 hours a week free childcare.
- The income threshold in tax credits will be reduced, from £6,420 to £3,850.

Pensions and savings

- A Green Paper will be published to consult on taxing pensions like ISAs.
- Dividend tax: will be a tax-free allowance of £5,000.
- Pension tax relief annual allowance tapered away to a minimum of £10,000.
- The state pension will be maintained via a triple lock.
- The BBC has agreed to take on the funding of TV licenses for over 75 year olds.

Business

- Rise in Insurance Premium Tax to 9.5 percent with effect from November 2015.
- Corporation tax rate reduced to 19 percent in 2017 and 18 percent in 2020.
- Corporations will be prevented from artificially increasing the value of stock for tax purposes.
- Annual Investment Allowance set at £200,000 for investment in plant and machinery from January 2016 to the end of the parliament (it was due to move back to £10,000).
- The rates of dividend tax will be set at 7.5 percent, 32.5 percent and 38.1 percent.
- National Insurance Contributions (NICs) allowance to be raised from £2,000 to £3,000 from April 2016 (meaning fewer small businesses pay NICs).
- Office of Tax Simplification to be permanently established – a review of reforming income tax, NICs and small business taxes due in coming months followed by a consultation.
- Venture Capital - changes will be introduced to improve the tax advantages of investing in growing and innovative small and medium sized firms.
- Business Tax Roadmap to be published by April 2016 to make tax changes clear to businesses.
- Business rates – changes to be made to the administration of business rates to tackle avoidance and improve the appeals system.
- Bank levy rate to be reduced from 0.21 percent to 0.1 percent in 2021 whilst there will be an 8 percent surcharge on bank profits above £25m.
- Insurance premium tax to increase by 3.5 percent to 9.5 percent from November 2015.
- Claims Management Companies – a review will be undertaken to cap customer charges.
- Productivity Plan to be published on Friday, 10 July 2015.
- Consultation on granting the power to decide whether to extend Sunday trading hours to city mayors and local authorities.

Wages, jobs and training

- A compulsory national living wage will be introduced at £7.20 from April 2016 rising to £9.00 by 2020.
- Low Pay Commission will recommend future rises. The National Living Wage will be at least 60 percent of median earnings by 2020.
- For SMEs - employment allowance is rising to £3,000 which will allow small firms to employ four people on the national living wage without paying any national insurance.
- Effect on corporate profits is offset by announcement that corporation tax is going down to £18,000 by 2020.
- Reaffirmation of the promise for three million additional apprenticeships by 2020.
- Apprenticeship levy to be introduced on all large firms (following consultation). Firms that offer apprenticeships will get more back than they put in.

Local growth and devolution

- Another agreement has been reached with the 10 authorities of Greater Manchester for more powers over fire services, land commission, children's services and employment programmes to be devolved.
- Negotiations are ongoing with Sheffield, Leeds, Liverpool and Cornwall on their own deals.
- New mayors to be able to set Sunday trading hours across their areas.

Northern Powerhouse

- Devolution deals being prepared with Sheffield, Leeds, Liverpool and West Yorkshire.
- Greater Manchester – new powers for fire services, children's services, employment programmes, and a land commission will be devolved to the Mayor.
- Establishing Transport for the North as a statutory body and £30m of investment in an Oyster-style smart ticketing system across the North.
- A bidding round will be introduced for more Enterprise Zones in smaller cities, towns and rural areas.
- Dualling of the A1 up to Ellingham in Northumberland.

Planning and housing

- Planning reforms to be announced on Friday, 10 July.
- Buy to let: restrict mortgage relief on rental property to the basic rate of income tax.
- From April 2017, the system that allows Buy-to-Let landlords to offset mortgage interest payments against their income will be phased out.
- Mortgage rate relief for Buy-to-Let landlords will be restricted to the basic rate of taxation, this will be phased in over time.
- Rent a Room relief which has been frozen for 18 years will be raised from £4,250 to £7,500.
- The automatic entitlement for housing benefit for 18-21 year olds will be abolished.

- Local Housing Allowance will be frozen for the next four years.
- Higher earners in social housing will be required to pay market rates.
- Rents paid in social housing will be reduced by one per cent a year for next four years.
- There will be no extra tax credit, Universal Credit, or housing benefit support for a third child after 2017.

Regeneration / Infrastructure

- Extension of Coastal Communities Fund to at least £90m until 2020/21.
- £23m of investment in next generation Digital Economy Centres in Bath, London, Swansea, Newcastle, Nottingham, and York.
- Road Investment Strategy (published December 2014) to be revised by 2020.
- Rail Investment Strategy to be published in the autumn.
- Extension of allowances for businesses in the North Sea.
- Establishment of a fund for communities hosting shale and gas extraction activities.
- Removal of the exemption for renewable energy generation and the establishment of measures to ensure energy businesses receiving subsidies support community-based energy projects.
- The government will conduct a review into the size and provision of crematoria facilities, cremation legislation and coroner services.

Transport

- £30m for Transport for the North, which will co-ordinate northern transport systems and develop an Oyster-style ticketing system.
- New Vehicle Excise Duty to be established from April 2017 for new cars, with changes to duty bands and the establishment of a Roads Fund using the receipts to fund.
- Fuel duty will remain frozen this year.
- New cars and motorbikes will not require an MOT until four years, rather than the current three years.

Energy

- Fuel duty will remain frozen this year.
- Vehicle excise duty: new bands coming in from 2017, based on emissions: zero emission band, along with standard and premium bands.
- Climate Change Levy: confirmed removal of the “out-dated” exemption for renewable electricity.

Health, social care and community safety

- The NHS will receive further £8bn on top of £2bn already pledged by 2020.
- The Children's Air Ambulance will receive a new helicopter.

- The funding for domestic abuse victims will be increased.
- £30m to further speed up adoption for the 3,000 children awaiting adoption, whilst paving the way for regional adoption agencies.
- A £3m fund will be set up to encourage innovative approaches including refuge provision to help those suffering from domestic abuse.

Education

- Cap on student numbers in universities to be removed.
- Tuition fees to rise in line with inflation if universities reach certain teaching standards.
- From 2016/17 maintenance grants will be replaced with new loans for students, with the loans only getting paid back when the person earns over £21,000. Increase of maintenance loans to £8,200.
- Consultation on freezing loan repayment threshold of £21,000 for five years.
- New Regius professorships in universities across the country.
- Youth Obligation to be introduced for 18 to 21 year olds to ensure they are in education if they are receiving unemployment benefits.
- Establishment of a network of national colleges to provide professional and technical routes into employment.

Appendix 4: Main announcements in Spending Review 2015

Deficit/Debt/Growth

- £12bn of savings set out in Budget will be met.
- 2% more investment in defence, 0.7% increase in foreign aid.
- 1 million extra jobs over next 5 years.
- Tax receipts to improve.
- Debt interest payments to be lower.
- Borrowing £11bn above target (£80.3 rather than £69.5).

- Deficit / surplus – smoother path:
 - 2015/16: 3.9% / £73.5bn deficit
 - 2016/17: 2.5% / £49.9bn deficit
 - 2017/18: 1.2% / £24.8bn deficit
 - 2018/19: 0.2% / £4.6bn deficit
 - 2019/20: 0.5% / £10.1bn surplus
 - 2020/21: 0.6% / £14.7bn surplus

- Debt to GDP ratio:
 - 2015/16: 82.5%
 - 2016/17: 81.7%
 - 2017/18: 79.9%
 - 2018/19: 77.3%
 - 2019/20: 74.3% surplus
 - 2020/21: 71.3%

- Growth:
 - 2015/16: 2.4% (same as Budget)
 - 2016/17: 2.4% (same as Budget)
 - 2017/18: 2.5%
 - 2018/19: 2.4%
 - 2019/20: 2.3%
 - 2020/21: 2.3%

Departmental Budgets

- Maintenance of departmental capital investment.
- Average of 0.8% annual savings compared to 2% in last 5 years.
- BIS to save 17% over next 5 years.
- DEFRA to save 15% over next 5 years.
- DECC to save 22% over next 5 years.

Welfare and tax credits

- £12bn in targeted welfare savings to be delivered in full.
- Planned £4.4bn in tax credit cuts abandoned, with taper and threshold rates for working tax credits and child tax credits remaining the same.
- Housing benefit for new social tenants to be capped at same level as private sector.
- Additional Discretionary Housing Payment funding will be made available to local authorities.
- Housing benefit and pension credit payments to be stopped for people who leave the country for more than one month.
- Temporary Accommodation Management Fee will be removed from the benefits system, with local authorities taking on more responsibility in supporting homeless people.
- DWP budget to be cut by 14%.
- Job centres to be co-located in council buildings.
- Conditions for benefits to be extended to more than one million more claimants.
- Councils to receive extra £10m to help homeless people.
- The Warm Home Discount scheme will be extended to 2020-2021 - This currently gives certain low-income households a one-off reduction of £140 on their electricity bill.

Pensions, savings and personal taxation

- State pension to rise by £3.35 a week to £119.30 next year.
- Income tax to reach 36.5% by 2020.
- Corporation tax in NI to be set at 12.5 per cent.
- Savings credit to be frozen at current level.
- Every individual and small business to have their own digital tax account by the end of the decade.

Communities and Local Government

- DCLG budget to achieve resource savings of 29% by 2019/20.
- Local Government grant to be reduced by £6.1 billion by 2019/2020.
- Taking into account forecast increases to other sources of local government income, overall local government spending will be higher in cash terms by 2019/20 than in 2015/16. By the end of this parliament local government will be “spending the same in cash terms as it does today”.
- Consultation on changes to the local government finance system to pave the way for the implementation of 100% business rate retention.
- Revenue Support Grant, which represents less than a quarter of local government total resources, will be phased out. Other sources of income such as council tax and business rates are forecast to grow by £6.3 billion by 2019/20.
- To reform services and make them more efficient, local authorities will have new flexibilities to spend 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects.
- To further encourage local authorities to release surplus assets and invest in making their services.
- Communities’ rights to reclaim local authority land and property (the Right to Contest) will be strengthened.
- Consultation on updating the Transparency Code to require all local authorities to record details of their land and property assets in a consistent way.
- The One Public Estate programme to be extended with £31 million to support local authorities to design more efficient asset management strategies.
- New guidance to encourage local authorities to rein in excessive salaries.
- Local authorities responsible for adult social care will be able to introduce a 2% levy on council tax to fund adult social care and an additional £1.5bn of funding for the Better Care Fund by 2019-20.
- Any revenue raised from the sale of council assets will be retained at a local level, with local authorities encouraged to draw down financial reserves.
- £12bn for Local Growth Fund.
- Abolition of uniform business rates – local government will retain all revenue raised from business rates by end of parliament.
- Consultation on reforms to the New Homes Bonus, including sharpening the incentive to reward communities for additional homes and reducing the length of payments from six years to four years.

Police, security and justice

- No real-terms cuts in police budgets in England and Wales, with spending to rise by £900m by 2020.
- Forces expected to make efficiency savings by sharing resources.

- From next April, police forces will be able to increase the amount they require from council tax collections by 2%.
- Holloway Women's Prison in London to close as part of modernisation of estate, including nine new prisons.
- Underused courts to be sold off, raising £700m for new technology.
- Defence budget to rise from £34bn to £40bn by 2020, with extra cash for the security services.
- Overseas aid budget to increase to £16.3bn by 2020, while Foreign Office budget protected in real terms.

Health

- Health budget in England, currently £101bn, to rise to £120bn by 2020-21.
- The NHS in England to get upfront cash injection of £6bn next year as part of £10bn added funding.
- NHS in England expected to make £22bn in efficiency savings.
- An extra £600m earmarked for mental health services.
- Grants for student nurses to be scrapped and replaced by loans.
- Cap on training places for nurses scrapped, with goal of increasing numbers by 10,000.
- New social care "precept" in council tax of up to 2% to allow local councils to raise £2bn for social care.
- Better Care Social Fund to be increased by 1.9%. Local authorities will have access to an extra £1.5bn by 2019/20.
- £15m raised from charging VAT on sanitary products to be given to women's health charities.
- To make it harder for people to claim compensation for exaggerated or fraudulent whiplash claims, the government is ending the right to cash compensation.
- More injuries will also be able to go to the small claims court as the upper limit for these claims will be increased from £1,000 to £5,000.

Infrastructure, transport and culture

- Capital funding of transport projects to rise by 50% by 2020.
- £250m support for motorways in Kent to relieve pressure caused by Operation Stack.
- DCMS to see funding cut by 5%.
- Extra cash for Arts Council and 29% increase to UK Sport's budget.
- Free museum entry to be maintained.

Education

- 500 new schools and university technical colleges.
- FE / Sixth Form colleges allowed to become academies to avoid paying VAT.
- Tuition fee loans expanded to 19 to 23 year olds at levels 3 and 4, and 19+ year olds at levels 5 and 6.
- Protection of HE research budgets and the development of five National Colleges with specific industrial specialisms (Digital Skills (London); High Speed Rail (Birmingham and Doncaster); Nuclear (Somerset and Cumbria); Onshore Oil and Gas (Blackpool); Creative and Cultural Industries (Essex).
- Area reviews of adult education to improve efficiencies.
- Apprenticeship programme:
 - Retention of target of 3 million additional apprenticeships by 2020 – meaning 1 million more by 2020;
 - Establishment of a new business-led body to set standards for apprenticeships;
 - Apprenticeship levy set at 0.5% of business wage bill (for businesses with wage bills of more than £3m) – many micro and small businesses will pay no levy.
- Age cap on new loans to postgraduates to be lifted from 2016-17 so loans are available to all those under 60.
- Introduction of new part-time maintenance loans from 2018-19 to support the cost of living while studying.
- STEM subject tuition loans will be extended to students wishing to do a second degree from 2017-18.

Science and Innovation

- A new £1.5 billion Global Challenges fund to address the problems faced by developing countries.
- Maintaining the science capital commitment of £6.9 billion between 2015 and 2021 including £150 million to launch a competition for a Dementia Institute.
- Integration of Innovate UK and Research UK with Innovate UK retaining funding but shifting from a grant-based system to business loans. Government is taking forward the recommendations of Paul Nurse's independent review and, to introduce a new body – Research UK – to work across the seven Research Councils. This will take the lead in shaping and driving a strategic approach to science funding, ensuring a focus on the big challenges and opportunities for UK research.
- A review of the Research Excellence Framework in order to examine how to simplify and strengthen funding on the basis of excellence – further details to be announced soon.

- Extension of freedoms granted to Research Institutes at Budget 2015 to all BIS sector research establishments which are not public corporations, and will also grant access to accumulated reserves of commercial income, subject to a cap.
- £130 million capital will be invested in DEFRA science facilities including £5 million for the Centre for Environment, Fisheries and Aquaculture Science to improve its headquarters in Lowestoft.
- Development of international partnerships for clean energy research.
- Shale Wealth Fund to produce communities in shale-producing regions.
- Doubling of support for renewable energy.

Business and Enterprise

- Local government to keep all revenue from business rates by 2020.
- British Business Bank will retain the £400 million of additional funding for Enterprise Capital Funds.
- Small Business rate relief scheme extended for an additional year.
- Industrial strategy – Aerospace / automotive support continues.
- Increased funding for the Aerospace Technology Institute (ATI) and the Advanced Propulsion Centre (APC).
- £24 million investment in digital transformation funding for UKTI to simplify UK trade support online and join-up government services.
- National Infrastructure Delivery Plan due in spring 2016; setting out in detail how it will deliver key projects and programmes over the next 5 years.
- Energy-intensive industries to be exempt from Feed-in-Tariffs and Renewables Obligation.
- £800m additional for tax evasion – businesses to have online system by 2019.

Construction & Property

- Support for housebuilders:
 - 400,000 affordable homes by 2020 (£7bn);
 - Doubling housing budget to £2bn per year;
 - Right to Buy pilots for five housing associations from 25 November 2015;
 - Reforms to planning policy to ensure the release of unused and previously undeveloped commercial, retail and industrial land for starter homes, and support regeneration of previously developed, brownfield sites in the greenbelt, by allowing them to be developed in the same way as brownfield sites elsewhere, providing it delivers starter homes. This will be subject to local consultation, such as through neighbourhood plans;
 - Stamp duty to be 3% higher on Buy-to-let and second homes from April 2016. Reinvestment in areas with affordability problems;

- Restrictions on shared ownership to be removed and planning system reformed to deliver more homes.

Northern Powerhouse

- Science-based and innovative companies in the North.
- £250 million for small modular reactor development and wider nuclear R&D and a nuclear centre of excellence in Sheffield City Region, Greater Manchester and Cumbria, as well as the nuclear research base across the UK.
- £25 million for a Joint Research and Innovation Centre with China, to be based in the North West.
- £375 million over this Parliament for dedicated science and innovation facilities in the North.
- British Business Bank and LEPs in the North West, Yorkshire and the Humber and Tees Valley to create a Northern Powerhouse Investment Fund of over £400 million to invest in smaller businesses, subject to European funding arrangements.
- Together with a separate fund in the North East this will make over £500 million available across the Northern Powerhouse.
- Doubling the size of the Enterprise Zones programme in the Northern Powerhouse, creating seven new Zones and extending a further two Enterprise Zones. A new zone to be created in the NELEP area will benefit County Durham.
- Appointment of Julia King, Professor the Baroness Brown of Cambridge, as Chair of the £235 million Sir Henry Royce Institute, which will build on the North's strengths in advanced materials research and innovation.
- £50 million for two new agricultural technology centres, headquartered in York, which will support innovation and skills in the food and farming supply chain.
- providing an initial investment of £4 million to establish an Anti-Microbial Resistance Centre of Excellence in R&D at Alderley Park, subject to a business case.
- £15 million of funding to support further Northern Powerhouse trade missions including to key emerging economies.
- £7 million will fund a Northern Powerhouse Investment Taskforce, bringing the authorities and businesses of the North together to present a single internationally competitive offer to the world.
- £5 million to expand the Great Exhibition of the North, which will celebrate the great art, design and culture of the North. £15 million Great Exhibition Legacy Fund to pave the way for future cultural investment in the Northern Powerhouse. Appointment of Sir Gary Verity to take this project forward.
- £5 million to support Manchester Museum to create a new South Asia Gallery, in partnership with the British Museum.
- £1 million to create a lasting legacy for Hull's UK City of Culture 2017 and prepare for the next UK City of Culture.
- In 2017, there will be at least five new Northern Mayors, covering 54% of the population of the North, backed by over £4 billion of new funding from central government.

- £150 billion in health spending in the Northern Powerhouse across the Spending Review period, and around £46 billion in schools spending.