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Spending Round 2013

Purpose of report

To update the Panel on the Spending Round.

Summary

The Government announced the results of the Spending Round on 26 and 27 June. The LGA produced a response to the announcements on both days, which are attached at **Appendix A and B**. This report draws out the key points.

Recommendation

Members are invited to discuss the Government's announcements and the LGA response.

Action

Officers to act on any comments members have.

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Spending Round 2013

Background

1. The Government announced the results of the Spending Round over two days. The Chancellor set out the results of the departmental plans on 26 June and the next day, the Chief Secretary announced investment in growth and infrastructure.
2. The LGA produced on the day briefings to cover both announcements, which are attached as appendices to this report and provide further information on the proposals set out below. We also published a number of press notices and LGA leaders gave a number of interviews to the TV, press and radio.

Local government finance

3. The key Spending Round announcements for local government in 2015-16 were:
 - 3.1. A 10 per cent real terms reduction in core local government funding of £2.1 billion;
 - 3.2. A £3.8 billion pooled budget through the NHS for health and social care integration including £2 billion new money. This appears to be the largest factor in arriving at the Government's calculation of a 2.3 per cent cut in 'Local Government Spending';
 - 3.3. £335 million to prepare for the implementation of care funding ('Dilnot') reform;
 - 3.4. £200 million extension of the Troubled Families Programme;
 - 3.5. A £100 million council efficiency and transformation fund;
 - 3.6. Further support to freeze council tax for 2014-15 and 2015-16 equivalent to a 1 per cent increase in council tax with referendum limits of 2 per cent in both years;
 - 3.7. £200 million reduction in Education Services Grant;
 - 3.8. A £2 billion Single Local Growth Fund to be allocated via local growth deals with each Local Enterprise Partnership (LEP), for which funding includes £400 million of the New Homes Bonus;
 - 3.9. Increased investment in local roads maintenance by around £300 million per year, from £700 million planned expenditure in 2014-15;
 - 3.10. A consultation to be launched on the use of capital receipts to fund one off costs of transformation; and
 - 3.11. A package of community benefits for communities affected by shale gas fracking.

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4. Our headline response was that the reductions to core local government funding will stretch essential services to breaking point in many areas.
5. The steps taken to target NHS funding at social care were positive. The LGA has been central to the negotiations on health and social care at both a political and official level during the last few months. The announcement indicates what can be achieved through active engagement between the sector and Government Departments and, if it can be demonstrated to have been successful, as the community budget pilots have been successful, may encourage Government to take this approach much further.
6. Beyond this and the extension of the Troubled Families Programme, there was relatively little in the Spending Review in relation to Community Budgeting. Although a welcome promise of further resources (funding and support) for service transformation is welcome, this was disappointing in view of the positive outcomes from the four pilot areas.
7. The Government also listened to our concerns regarding the capitalisation of one-off revenue costs by agreeing to consult on allowing some flexibility for local authorities to use asset sale receipts to finance one-off costs of service transformation. There has been no announcement on the lifting of the housing borrowing cap.
8. There has been some attempt by Government to help local authorities plan by announcing two years further Council Tax Freeze grant and Council Tax referendum limits. We have also had confirmation of the intention to provide draft 2015/16 settlement figures with the 2014/15 settlement. This is a positive step, but of course there remain many uncertainties to be resolved before final figures are known at authority level.
9. We welcomed the Government's commitment to devolve the majority England EU spending allocation of £5.3 billion EU Structural and Investment Funds for 2014-2020 as seven year notional allocations to LEPs.
10. The inclusion of £400 million from the New Homes Bonus in the Single Local Growth Fund came as a surprise. It means pooling at LEP level of un-ringfenced funding previously received directly by councils and which many Councils will have planned to use to help bridge the funding gap. This will potentially redistribute money between councils and impact on the funding for local services. Those impacts do not appear to have been properly considered and we are urgently seeking more detail.
11. The proposed cut to Education Services Grant is unwelcome to Local Education Authorities (LEA), highlighted in the Spending Round papers as 'in line with the changing nature of the schools system' and 'enabling local authorities to focus on their core role in schools'. It will be important that the sector responds robustly to consultation if it wishes to highlight the important role LEAs play in school improvement and the extent to which strong well-funded LEAs contribute to achievement. The Government's move is at odds with OfSTED's expectations. As much as the news in relation to drawing together service delivery objectives in relation to health and social care is to be welcomed, policy in relation to young people continues to fragment and withdraw into silos.

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What next?

12. The detail on some announcements needs to be worked through and consultations will follow on:
 - 12.1. allowing some flexibility for local authorities to use asset sale receipts to finance one-off costs of service transformation;
 - 12.2. the support the councils provide to schools through the Education Services Grant; and
 - 12.3. the mechanism through which a proportion of New Homes Bonus is pooled at the LEP level.
13. Many of the reforms we asked for in the Spending review documentation remain unresolved and these will need to be revisited and incorporated where appropriate in future campaigns.

Conclusion and next steps

14. Members of the Panel are invited to comment on the announcements and LGA response.

Financial Implications

15. The costs of responding to the Spending review will be met within existing budgets.