

LGA's 2015 Spending Review Work

Purpose of report

For information and direction.

Summary

This report highlights the LGA's formal submissions to the 2015 Spending Review process and sets out the planned programme of engagement and media work throughout the autumn.

Recommendation

That the LGA Executive note the content of the report and recommend any amendments to the engagement strategy set out from paragraph 13 onwards.

Action

LGA Officers to proceed as directed.

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The terms of reference for the 2015 Spending Review

1. The Chancellor of the Exchequer announced that the Spending Review will be delivered on 25 November 2015. It will be a four-year plan and will set out departmental spending limits across government and is looking for £20 billion of savings by the end of 2019/20.
2. Interested parties had until 4 September to submit formal representations. This is in line with the deadline for government departments to submit initial analysis to the Treasury.
3. For local government in particular, the Spending Review can have a number of different effects:
 - 3.1. The local government departmental expenditure limit will set the amount of general government grant.
 - 3.2. Settlements for other government departments might have an effect on specific grants received by local government.
 - 3.3. The Spending Review will announce a series of devolution deals.
 - 3.4. Other policy announcements in the Spending Review could affect local authorities as well. For example, the 2013 Spending Round announced the creation of the Better Care Fund.
4. In its terms of reference, the Government has committed to the following protections:
 - 4.1. The NHS budget will continue to be protected in real terms. In addition, an extra £2 billion will be added to its budget in every year of the Spending Review, amounting to an increase of £8 billion, in addition to inflation, by 2019/20.
 - 4.2. Spending on schools will continue to stay fixed on a per pupil basis, indicating growth of overall funding as pupil numbers are set to increase.
 - 4.3. The defence budget will rise in line with inflation + 0.5 per cent.
 - 4.4. The International Development budget will continue to be fixed as a share of GDP.
5. As a result of the protections above, unprotected government departments were asked to model scenarios of 25 per cent and 40 per cent real terms cuts to their funding over the next four years, indicating that ultimately the settlement is likely to be within that range.
6. Finally, the Government has set itself five guiding principles for spending decisions:
 - 6.1. promoting innovation and greater collaboration in public services;
 - 6.2. promoting growth and productivity, including through radical devolution of powers to local areas in England;
 - 6.3. delivering high-quality public services, such as the NHS;
 - 6.4. promoting choice and competition; and
 - 6.5. driving efficiency and value for money across the public sector.

LGA's formal representation

7. The LGA's work on influencing the Spending Review started with the publication of 'A Shared Commitment' at the annual conference on 30 June 2015 which can be downloaded from the LGA website [here](#).
8. This paper built on its predecessors, 'Rewiring Public Services' and 'Investing in our Nation's Future' by setting out our broad vision for an array of policy areas. The formal LGA representations built on this vision, but focussed on a smaller set of proposals.
9. The following grid sets out the LGA's publications which were prepared to meet the Government's deadline of 4 September. Collectively, they form our corporate representation and the basis of conversations with government over the autumn. The documents will also be sent to all relevant government Ministers, Departments and Parliamentarians.
10. [Spending Smarter: A Shared Commitment](#) is available on LGA website should you wish to view or download the publication. The other three publications listed below are appended to this report as they are not yet in the public domain, pending their publication and launch.

Table 1. LGA's Spending Review representation

Name of paper	Main recommendations	Cleared by
Spending Smarter: A Shared Commitment	<p>The main LGA submission which is calling for:</p> <ul style="list-style-type: none"> • An appreciation of cost pressures facing local government over the next four years (£10 billion); • Devolution of, or greater local influence over, £60 billion of central government spending to spur local growth, infrastructure and employment; • An introduction of a Single Local Public Services Fund as part of at least five devolution deals; • A sustainable and integrated adult social care and health system (see entry below); • A self-assessment mechanism for administering business rates; and • A managed introduction and implementation of the Government's housing policies. 	The Chairman, LGA Group Leaders, Lead Resources Portfolio Holders
'Adult social care, health and wellbeing: A Shared Commitment' (joint paper)	<ul style="list-style-type: none"> • Full funding of the adult social care funding gap, growing by just over £700 million a year on average; 	LGA's Lead Community Wellbeing

<p>with Association of Directors of Adult Social Services)</p> <p>Attached at <u>Appendix A</u></p>	<ul style="list-style-type: none"> • Introduction of a £2 billion annual prevention transformation fund, with part of the money used to invest in a prevention strategy (see box below); • A considered expansion of the Better Care Fund which learns from what has worked well and what has not. 	<p>Portfolio Holders, (for ADASS) ADASS Trustees and President</p>
<p>'Prevention: A Shared Commitment'</p> <p>Attached at <u>Appendix B</u></p>	<ul style="list-style-type: none"> • This is a supporting document which sets out the case for a new prevention strategy, drawing from smaller scale interventions that have been shown to be successful locally. Research indicates this could generate a net return on investment of 90 per cent over a five year period. 	<p>LGA's Lead Community Wellbeing Portfolio Holders</p>
<p>'A service for the future - 670,000 opportunities to add value' (prepared by the Chief Fire Officers Association but supported by the LGA)</p> <p>Attached at <u>Appendix C</u></p>	<ul style="list-style-type: none"> • This paper has been prepared by the Chief Fire Officers' Association and endorsed by the LGA. It calls for a funding settlement for fire services based on risk, not demand and presents a case for fire and rescue services to play a community wellbeing role due to their reach and trust by the communities they serve. 	<p>The LGA's Fire Services Management Committee</p>

11. These papers were submitted in line with the Government's deadline, but the publication schedule has been staggered over a number of weeks throughout September to maximise potential media coverage of our calls. They have also been formally sent to relevant Government ministers.

12. At the time of writing, officers were also drafting a supporting paper which advocates the case for a Single Local Public Services Fund, drawing on the experience of the previous Parliament to demonstrate that joined-up decision making locally is a way to avoid cost shunting and making decisions which only result in higher costs later. This paper is to be cleared by the LGA's Lead Resources Portfolio Holders.

The LGA's autumn engagement programme

13. While the above is our formal contribution to the Spending Review process, it is only part of a wider work programme aimed at promoting our messages with the public, the Government and stakeholders ahead of the Review announcement on the 25 November.

14. The LGA media activity to influence the Spending Review began at our Annual Conference in July and the publication of 'A Shared Commitment' and will continue right up until November 25.

- 14.1. The Chairman gave his first set-piece interview with the **Financial Times** on the campaign launch in June and the paper ran two back-to-back front pages on the funding pressures facing councils in July. Media work continued with widespread coverage on our initial analysis of the cost pressures of the National Living Wage and social housing rent reductions and the construction skills shortage.
 - 14.2. Our press release launching our cost pressure analysis for the Spending Review submission was reported by the **FT, Telegraph, Guardian, i paper** and **Mirror**. A comment piece on the submission also ran on **Guardian Online**.
 - 14.3. To coincide with the preliminary deadline for local areas to submit devolution deals, we called on the Chancellor to devolve, or hand local influence over, at least £60 billion to local areas in the **Independent, i paper** and **Guardian Online**.
 - 14.4. A detailed media activity grid has planned Spending Review stories over the next 6-8 weeks on business rates reform, adult social care, funding pressures, transport and devolution.
15. A range of political meetings are in the pipeline for the Chairman and other lead members, including:
- 15.1. Greg Clark MP (Secretary of State for Communities and Local Government) – weekly meetings with the Chairman;
 - 15.2. Matt Hancock MP (Minister for Cabinet Office) – 10 September with the Chairman and the Deputy Chief Executive;
 - 15.3. Greg Hands MP (Chief Secretary to the Treasury) - 1 October with the Chairman and the Deputy Chief Executive;
 - 15.4. Officers are also setting up meetings with Jeremy Hunt MP, George Osborne MP, Nicky Morgan MP and others, including LGA Vice Presidents and Select Committee Chairs.
16. Officers are engaged in a number of ongoing conversations with a range of relevant departments in Whitehall. The following are some examples of ways the Spending Review messages are being shared and promoted:
- 16.1. The Deputy Chief Executive has had a series of introductory meetings with senior Government officials which were used to share our Spending Review messages.
 - 16.2. Officers continue to have conversations with DCLG and HMT on local government finance as part of a joint working group as started in the Spring, as well as separately.
 - 16.3. Officers are participating in a number of different DCLG working groups on housing policies.
 - 16.4. Officers from the Local Government Support team are cooperating with DCLG on their programme of council visits as part of the SR process.
 - 16.5. Officers are working closely with DCLG on their digital submission and associated research to ensure that it reflects the sector's needs, in particular that the biggest potential for further savings will come from applying digital tools and approaches to public service transformation.

- 16.6. Officers are working with the Department of Health on adult social care matters, such as comparing estimates of cost pressures and the future of the Better Care Fund (which is also covered by a Cabinet Office taskforce attended by the LGA).
17. Officers will prepare an on-the-day briefing on the Spending Review on 25 November in line with other government set piece announcements.

Financial Implications

18. This is core work for the LGA and is budgeted for within the 2015-16 LGA budget.