

## **2015 Spending Review Progress Update**

### **Purpose of report**

For information and direction.

### **Summary**

This report highlights recent developments and next steps in the LGA's Spending Review campaign process.

### **Recommendation**

That the Leadership Board notes the content of the report and recommend any amendments to the plans.

### **Action**

LGA Officers to proceed as directed.

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## **2015 Spending Review Progress Update**

### **Background and the LGA's papers**

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 £20 billion of savings by the end of 2019/20. The Autumn Statement will also be announced on the same day. Interested parties had until 4 September to submit formal representations.
2. 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. 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.
3. The grid in **Appendix A** sets out the LGA's publications, which were prepared to meet the government's deadline of 4 September. Collectively, they form our corporate representation, to the Spending Review and Autumn Statement, and are the basis of conversations with government over the autumn. The papers are being released into the public domain in a staggered way to ensure maximum media coverage in what is a crowded market due to other media stories.
4. In addition, officers are also drafting a supporting paper which advocates the case for place based finance as a way to maximise the value of the public pound, incentivise investment in prevention and avoid unintended consequences of public spending decisions, such as cost shunting. At the time of writing, this paper was to be cleared by the LGA's Lead Resources Portfolio Holders and was planned for publication in mid-October.

### **Policy developments since September**

5. There have been a number of announcements related to the asks in our Spending Review submission. The following paragraphs summarise the main developments.

#### Syrian refugees

- 5.1. The LGA has been pressing hard for the Government to confirm that councils will receive additional funding to take refugees through this scheme. We recently received confirmation that that there will be funding beyond 12 months for each refugee within the scheme to minimise any impact on local services. After detailed discussion, we have had confirmation that:

- 5.2. The first 12 months of a Syrian refugee's resettlement costs will remain fully funded by central government using the overseas aid budget.
- 5.3. In the expanded scheme, there will be additional funding for refugees beyond the first 12 months and we understand this will not be taken from the overall funding to local government
- 5.4. These arrangements will be applied to all cases arising since the expansion to 20,000 over 5 years was announced, so councils which come forward early will not be disadvantaged
- 5.5. Government recognises that there remain many details to work through – both in funding and in process – from the point at which refugees are assessed to their resettlement and ongoing support. We are working with Government to ensure that the new scheme can meet the needs of more people more quickly whilst minimising the impact on local communities, including a mapping of current spend on existing resettlement schemes. We are working with government to resolve this as part of the Spending Review and we are expecting that any announcement be made at the latest by the time of the 2016/17 local government finance settlement.
- 5.6. We are in separate discussions with the Home Office and DfE to develop a fairer national scheme for unaccompanied asylum seeking children and have proposed that any unaccompanied children arriving in the UK as part of Syrian resettlement scheme be part of this.

#### Housing policy

- 5.7. The LGA Chairman and Board have undertaken a range of activity over the summer seeking to lead the debate in a way that mitigates the negative impacts of recent policy developments on councils and local housing markets. This has included:
  - 5.7.1. Regular representations to Ministers and discussions on policy detail with officials
  - 5.7.2. Research and analysis on the impact of proposals, including press releases attracting national media coverage
  - 5.7.3. Activity and events, including a seminar with officials, seeking to bring together a consensus view to the Government, involving a range of councils, Association of Retained Council Housing (ARCH), Society of Local Authority Chief Executives (SOLACE), District Councils Network, and London Councils.

5.7.4. Engagement in Parliament, including representations to the Communities and Local Government Select Committee, and on the progress of the Welfare Reform and Work Bill<sup>1 2</sup>

5.8. The Government announced on 7 October that it had concluded a deal with the National Housing Federation (NHF) to introduce a voluntary Right to Buy scheme for housing associations. The LGA has said that it is disappointed that the National Housing Federation has struck a deal to voluntarily deliver the Right to Buy extension on the back of forcing the sale of council homes, and by the NHF's willingness to move away from providing the genuinely affordable homes the most vulnerable in our communities need.

Business rates reform

5.9. The LGA's Spending Review Submission outlines a system for the reform of business rates. This includes proposals to modernise the valuation process through a system of self-assessment. Any new system would need to be designed to minimise underestimation, to provide greater certainty of income to local authorities and could lead to a digital by design approach to both the assessment and collection of business rates. The LGA has commissioned a piece of work to explore this further and is engaging government officials in discussions.

5.10. The LGA continues to raise with government the impact of the delays in the submission and resolution of business rates appeals. Councils have currently set aside £1.75billion against the risk of reduced income following appeals. Our self-assessment proposals referred to above would address this but government action on the rules for appeals and on speed of dealing with appeals could also reduce the uncertainty and the consequent level of funding that has to be set aside and we continue to lobby for reform in this area.

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<sup>1</sup> For example - Social housing rent reforms to cost councils £2.6 billion, Financial Times, July 2015 <http://www.ft.com/cms/s/0/11714258-31e8-11e5-91ac-a5e17d9b4cff.html#axzz3m6WiVeCf>

<sup>2</sup> For example – Welfare Reform and Work Bill, Public Bill Committee evidence session, Housing of Commons, September 2015 [http://www.local.gov.uk/web/guest/briefings-and-responses/-/journal\\_content/56/10180/7396343/ARTICLE](http://www.local.gov.uk/web/guest/briefings-and-responses/-/journal_content/56/10180/7396343/ARTICLE)

5.11. Following the Chancellor's announcement at the Conservative Party Conference that by the end of the Parliament councils will be able to keep 100% of business rates raised, the LGA has been analysing what this means for the sector. A press release welcomed this as a major step forward and in line with what the LGA was pressing for in the Spending Review submission. At the same time it called for the Government to bring forward the date for implementation in the light of the fact that local authorities will face almost £10 billion of cost pressures by 2020. We added that we would expect measures to ensure local areas with less ability to generate business rates income do not suffer as a result of these changes and all councils are also given leeway to vary business rates up as well as down. We also said that it adds to the urgency for the reform of the appeals system as councils will potentially bear 100% of the risk once the Chancellor's proposals are implemented. There will be much detailed work to do to take forward what amounts to a re-design of the whole system of local government finance and discussions are underway with government officials about how this work can be taken forward with close involvement from the LGA.

Adult social care and health

- 5.12. At the Community Wellbeing Portfolio awayday on 2 October Members set out the headline points from the LGA's thematic Spending Review submission on adult social care, health and wellbeing to Minister of State for Community and Social Care, Alistair Burt. The Minister was unable to comment on any Spending Review matters but said he was fully aware of the pressures facing adult social care and support and thanked the LGA for its close working with the Department of Health on the Spending Review.
- 5.13. The Public Accounts Committee is currently conducting an inquiry on the Care Act and the LGA has submitted written evidence. A number of key points from the LGA's thematic Spending Review submission on care, health and wellbeing are made in this evidence. Furthermore, clarification is sought on whether funding allocated in this financial year to support activity in preparation for the phase two Care Act reforms (originally scheduled for April 2016 but now delayed until 2020) will be clawed back or future payments reduced or withheld.

5.14. On 30 September the Local Government Chronicle reported that NHS England is seeking to freeze the sum the NHS is required to pool with local government in the Better Care Fund (BCF), and ideally for it not to be uplifted with inflation. The article reports that NHS England is arguing that both the NHS and adult social care need to be properly funded independently, not through a transfer. It is helpful that NHS England recognises the need to fully fund adult social care in its own right and this remains critical alongside the continuation of the BCF. However, if the BCF is the Government’s preferred vehicle for driving integration between adult social care and health then the funding allocated to the BCF will need to be maintained in real terms as a minimum alongside additional funding to fill the gap in social care funding and to invest in prevention and transformation of services.

Devolution

5.15. On 2 October the Sheffield City Region signed an in-principle devolution deal with Government. This is the first deal to be signed since 38 proposals were submitted to Government by places across the UK on 4 September. Once formally agreed by the councils involved, the combined authority will take on greater powers and control over funding, and will introduce a directly elected mayor.

5.16. The deal includes powers over transport, strategic planning, skills and employment support, trade and investment, and makes commits on supporting innovation and agreeing a gain share agreement. It includes an ambition to work towards a single pot of growth funding for the region.

5.17. Further deals are expected in the near future and the LGA continues to work with places to support them in their ambitions and to develop the evidence base of devolution.

**Planned future activity**

Communications strategy

6. The following LGA media activity to influence the Spending Review is has taken place or is planned in the run up to the Spending Review:

Sep 1	Press release: Cost pressures	Councils face £10.1 billion in unfunded burdens by 2020
Sep 1	Comment piece: Spending Review submission	Cllr Gary Porter outlines ‘Spending Smarter: A shared commitment’
4 Sept	Spending Review submission to the Treasury	
4 Sept	Press release: £60bn devolution	Councils call for £60 billion worth of funding to be devolved to local areas over the SR period
Sept 11	Press release: Reserves	Council reserves would be spent in 3

		years if used to plug funding gaps.
Sept 11	Statement: PM's Spending Review speech	Call for widespread devolution and fairer funding
Sept 21	Press release: Devolution and growth	Devolution is the key to unlocking growth and productivity
Sept 21	Statement: ADASS, CSA, NHS Confederation	Spending Review needs to provide adequate funding to adult social care
Sept 26	Press release: Bus funding	Councils are being forced to cut post-16 bus routes
2 Oct	Press release: LGA response to Govt sports strategy	Rebalancing of funding away from national sports bodies to councils to drive up participation rates and calls to improve facilities and boost public health.
Oct 3	First magazine	2 page feature on Spending Review submission
Oct 3	Press release: Youth offending cuts	Funding cuts impacting negatively on preventative work of local authorities and youth justice partners
Oct 4	Press release: RTB extension	Extending Right to Buy to cost £6 billion by 2020
Oct 5	Statement: Business rates	Councils will get to keep 100 per cent of business rates
Oct 6	Comment: SR Submission	Polly Toynbee on the LGA's analysis of £10 billion cost pressures facing councils by 2020
Oct 8/ 9	Press release: Social care thematic SR submission (joint with ADASS)	Councils calling on government to close the funding gap by cutting other government departments
Oct 10	Press release: Tree disease	Trees at risk without funding to address tree disease.
W/C Oct 12	NCAS Press release: Winter pressures	Council funding for winter pressures is inadequate. The Government gave councils £25 million last year and NHS £700 million.
W/C Oct 12	NCAS Press release: Learning disabilities	Social care for working age people with learning disabilities is a third of social care spending. Number of pupils with learning disabilities to rise 23 per cent by 2023. Extra cost pressure coming.
14 Oct	NCAS press release: savings from prevention	Spending £1 on prevention would save £1.90. Councils calling for a £2 billion prevention transformation fund
14-16 Oct	NCAS Conference	
TBC	Press release: Pay to Stay	Pay to Stay policy will lead to people having to leave London and South East
TBC	Press release: business rates avoidance	Councils lost almost £250 million a year on business rates avoidance. Need

		tougher powers to crackdown on fraudsters and cheats
TBC	Press release: EU funding	Councils need full control over £5.3 billion of EU funding. Vital growth-boosting schemes at risk as Whitehall decides on what projects to fund.
TBC	Press release: Work Programme	Devolve £620 million Work Programme to local areas to achieve better outcomes
TBC	Press release: Sustainable services	LGA report exploring the unintended consequences of cutting expenditure on prevention and of silo based decision making
TBC	Press release: Welfare	Government to merge benefit payments. LGA analysis into how much that should be.
TBC	Press release: Waste collection	Improving recycling targets to cost councils by 2020.
TBC	Press release: Roads funding/Winter readiness survey	Councils need influence over how all national roads funding is spent. Close funding gap between local and national roads. Bad winter will mean road chaos?
25 Nov	Spending Review	

Political meetings

7. A number of meetings/exchanges of letters between the LGA's politicians and ministers discussing the Spending Review have taken place already:
  - 7.1. Rt Hon Greg Hands MP, Chief Secretary to the Treasury.
  - 7.2. Rt Hon Greg Clark MP, Communities Secretary.
  - 7.3. Brandon Lewis MP, Minister for Housing and Planning.
  - 7.4. Rt Hon Matthew Hancock MP, Minister for the Cabinet Office.
  - 7.5. Rt Hon Lord Freud, Minister for Welfare Reform.
  
8. A range of political meetings are still in the pipeline for the Chairman and other lead members, including:
  - 8.1. Rt Hon Nicky Morgan MP, Education Secretary.
  - 8.2. James Wharton MP, Minister for the Northern Powerhouse.

8.3. Andrew Jones MP, Minister for Transport.

Officer engagement

9. 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:
  - 9.1. The Head of Programmes for Local Government Finance and the Deputy Chief Executive have arranged a regular programme of meetings with senior officials from the Treasury and the Department for Communities and Local Government over the coming months to discuss the Spending Review, the Local Government Finance Settlement and other local government finance issues. These include discussions on the move to 100% business rates retention and the LGA's proposal to move business rates valuation towards self-assessment.
  - 9.2. The Head of Policy and Principal Policy Adviser for devolution have arranged regular meeting with senior officials at DCLG to discuss progress on devolution deals.
10. 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**

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

Appendix A. LGA's Spending Review representation

Name of paper	Main recommendations	Publication timing
'Spending Smarter: A Shared Commitment'	The main LGA submission which is calling for: 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.	Already published
'Adult social care, health and wellbeing: A Shared Commitment' (joint paper with Association of Directors of Adult Social Services)	Full funding of the adult social care funding gap, growing by just over £700 million a year on average; 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.	Week commencing 5 October
'Prevention: A Shared Commitment'	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.	14-16 October (to coincide with the National Children and Adult Services' Conference)
'A service for the future - 670,000 opportunities to add value' (prepared by the Chief Fire Officers Association but supported by the LGA)	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.	Week commencing 5 October