

Spending Review and Autumn Statement 2015

Purpose of report

For information.

Summary

This report highlights the announcements in the Spending Review and Autumn 2015 Statement with implications for local government.

Recommendation

That the LGA Leadership Board note the update.

Action

Officers to provide updates on any follow-up announcements and policy developments and proceed with next steps as directed.

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The Spending Review and Autumn Statement 2015

Background

1. The Chancellor of the Exchequer delivered a combined Spending Review and Autumn Statement on 25 November 2015. The LGA provided member authorities with an on-the-day briefing on the key announcements relevant to local government and has been following up with departmental officials on the detail.
2. The Spending Review covers Government spending plans for the life of the current Parliament to 2020 and follows a period of intense lobbying by the LGA over the summer as details of those plans have been finalised.
3. The on-the-day briefing is attached at **Appendix A** for information and summarises the proposals affecting councils.

Implications for Local Government Finance

4. Core central government funding for local government, comprising business rates and revenue support grant, will fall by 24 per cent in real terms over the Spending Review period. When taking into account the Office for Budgetary Responsibility's (OBR) forecasts of other income raised locally by councils, the overall position is a 6.7 per cent real terms reduction. These figures are better than expected given that, in the run up to the announcement, all government departments were asked to model reductions of 25 and 40 per cent.
5. The Chancellor announced a range of measures that will impact on local government finance. A number of these measures will impact on the funding of social care in particular which will also have a knock-on impact on other authorities. The full details and impact of these measures will not be known until the 2016/17 Consultation Local Government Finance Settlement (expected in December 2015) or will be the subject of further consultation. Therefore, our analysis has concentrated on the top line figures for Local Government funding as a whole, and even these remain largely tentative until the settlement.

LGA Successes

6. In line with LGA lobbying, the following announcements can be counted as wins for the LGA.
 - 6.1. The reduction in overall funding is less than widely expected and is a sign that our case had an impact on Government decisions on local government funding.
 - 6.2. We drew attention to the social care funding crisis ahead of this Spending Review and called for further flexibility in the setting of council tax. This has been partly addressed by the above measure and the additional provision of a £1.5 billion increase in the ring-fenced Better Care Fund. But it is not enough and to address all the social care pressures and we are concerned that councils will not see the benefit until towards the end of decade when services supporting our elderly and vulnerable are at breaking point now.

- 6.3. The announcement that councils will be able to use capital receipts from the sale of assets for revenue (subject to circumstances yet to be announced) is welcome as it allows more flexibility for councils to determine the use of local resources.
- 6.4. Government has recognised our arguments that local government should have autonomy in deciding how to spend its reserves. We have long argued that councils need to be able to make financial decisions based on local circumstances.
- 6.5. The proposal to allow local authorities to retain 100 per cent of their business rates income is positive, but further work needs to be done to determine the details. The LGA will continue to work with Government to seek a positive outcome.
- 6.6. The announcement of a new Work and Health Programme (WHP) to provide specialist support for benefit claimants with health conditions or disabilities and those unemployed for over two years reflects many of the ideas and principles reflected in the LGA proposal for devolved employment support for people with multiple needs submitted to the Government ahead of the Spending Review. The next steps for the LGA are to work with DWP to push for this to be locally commissioned, and use the detail of our proposal.
- 6.7. The government will introduce the first ever national funding formula for schools, high needs and early years. A detailed consultation will be launched in 2016 and the new formulae will be implemented from 2017-18. There will be a transitional period to help smooth implementation. We have long argued for a fairer national funding formula for schools and early years, even though this will create winners and losers for individual schools and council areas.
- 6.8. To enable the doubling of free childcare [from 15 hours to 30 hours] for 3 and 4 year-olds with working parents, the government will invest at least £50 million of capital funding to create additional places in nurseries and over £300 million a year to increase the average hourly rate paid to childcare providers. We argued for capital funding to help councils deliver the increase in free childcare/early education from 15 to 30 hours.
- 6.9. The Department for Work and Pensions' (DWP) estate will be reformed and reduced by 20 per cent and the number of jobcentres co-located with local authorities will be expanded, benefiting claimants and those using government services while delivering a total reduction of 30 per cent in estate costs. The LGA has already been working with the DWP on better integrating support, particularly for the most disadvantaged jobseekers as part of our work on Universal Credit. We have argued that accelerating co-location and integration of services for claimants and jobseekers is key to delivering the overarching intentions of the Government's welfare reforms. There is a real opportunity not only to make more efficient use of public sector buildings, but, crucially, to improve the support offer and outcome to low income households.

Other Announcements affecting finance

7. The Chancellor announced a consultation on reforms to the New Homes Bonus, including a preferred option of £800 million savings to be redirected to social care. The government will also consult on changes to the local government finance system to

'rebalance support including to those local authorities with social care responsibility by taking into account the main resources available to councils, including council tax and business rates'. Clearly this will have an impact on many councils. We will be seeking further details of what is to be proposed.

Media coverage

8. Since the launch of the LGA's Spending Review document - 'Spending Smarter: A Shared Commitment' — at the LGA's annual conference in June, a sustained plan of media activity has been followed, with different aspects of the document highlighted proactively in the media each week. In the immediate run up to the Spending Review announcement this work intensified and included set piece interviews from the Chairman with the **Telegraph**, **Financial Times** and **Guardian**. A detailed piece of work was undertaken with the **Press Association** looking at the impact of funding reductions to different councils over the last Parliament, which was syndicated out to the national papers and picked up by the **Times**, **Mirror**, **Mail** and **LBC radio**. This resulted in coverage of the LGA's key messages both the few days before the Spending Review and four national stories on the day itself.
9. Media lines were drafted ahead of the Spending Review and this enabled media lines to be issued quickly on the day regarding our position on the overall announcement as well as on adult social care, including the 2 per cent council tax precept and the £1.5 billion additional funding for the Better Care Fund, public health funding, housing, reductions to the Education Services Grant, changes to the national schools funding formula and devolution.
10. Our media lines in response to the Spending Review were covered extensively in the national media including in three separate **Guardian** pieces, **BBC online**, **Times**, **FT**, **Mirror**, **Mail**, and **Independent**. Cllr Sharon Taylor OBE was also interviewed by **BBC News**, **Chanel Four News**, **ITV news**, **Five Live** and **LBC**. Cllr Izzi Secombe also spoke on the **Today Programme** on the day following the Spending Review announcement to discuss the impact on social care.
11. A planned media briefing was held on the Friday following the announcement to provide a chance to explain the figures to media. This was well attended and led to stories highlighting the LGA's analysis in the **Observer**, **Sun on Sunday**, **Sunday Express**, **Independent on Sunday**, **Sunday Times**, **BBC online**, **BBC news**, **ITV** and **Sky News**.
12. A more detailed report on the LGA's Spending Review media coverage will be produced in due course. The "On the day briefing", our document explaining the Spending Review for members has been downloaded over **8000 times**.
13. Following the Spending Review Cllr Seecombe, Chair of our Community Wellbeing Portfolio, spoke at an International Longevity Centre - UK and Age UK House of Lords panel discussion on the implications of the Spending Review for later life funding. Cllr Ford of the Community Wellbeing Portfolio also gave evidence to the All-Party Parliamentary Group on Housing and Care for Older People setting out the implications of the Spending Review.

14. On Monday 30 November, the LGA also organised a technical briefing in Parliament, hosted by the LGA President Lord Kerslake. This was an opportunity to explain the key announcements in the Spending Review and Autumn Statement and how they affect local government. This was well attended by MPs and Peers, including shadow spokespersons and members of parliamentary select committees.

Next steps

15. We will continue promoting the LGA's lines for the issues raised in the Spending Review.

16. We will produce a detailed report on our Spending Review media coverage for a future meeting of this Board.

17. We will be briefing parliamentarians ahead of debates in the House of Lords and House of Commons on the Spending Review and we will continue to lobby on the measures announced by the Chancellor of the Exchequer.

18. We will continue our finance work (as outlined elsewhere on the agenda).

19. Members are asked to:

19.1. note the report and the content of the attached briefing; and

19.2. support the continued lobbying and finance work outlined above.

Financial Implications

20. This is core work for the LGA and is budgeted for within the 2015/16 LGA budget.