

HARROW STRATEGIC PARTNERSHIP BOARD

Comprehensive Spending Review

14th December 2010

Introduction

On 10 June 2010, the Government announced that local government spending was to be cut by £1.66bn. In addition, on 5 July 2010, additional cuts to education capital grants were announced, including the cancellation of the Building Schools for the Future programme, the suspension of the second half payment of the Migrants Impact Fund and the stopping of the Free Swimming Grant.

The Chancellor of the Exchequer, George Osborne, delivered his Spending Review for the period up to 2014-15 to the House of Commons on the 20 October.

The headline figure for local government is an average reduction in formula grant funding of 7.1% per annum over the four years of the Spending Review. These cuts are significantly frontloaded.

Ring fencing of all revenue grants will end from 2011/12, except the Dedicated Schools Grant and the new public health grant. In addition the number of separate core grants will be reduced from over 90 to less than 10.

We will not be able to quantify the impact on Harrow until the Local Government Finance Settlement, which is due to be published on the 2nd of December. At this time we will be informed of the detail of the revenue grant changes and also what capital grant support for schools there will be. *(At the time of writing this report the Settlement had not yet been released. Details of the settlement will be provided at the Partnership Board meeting).*

The cuts announced will require fundamental changes to the way public sector works. The leadership challenge to pull together local services, and get the community involved in making tough choices and developing new local voluntary and community effort and enterprise will be crucial. The role of the new community budget initiatives are an opportunity to get the local public sector working together better and the added flexibilities announced will provide local authorities with the opportunity to direct resources to local needs and priorities.

Proposed Action

Further analysis will be undertaken as more detailed information becomes available and the identified implications will be considered as part of the fundamental review of the Partnership in 2011.

What are you asking the Partnership Board to do

Note the implications for your organisation and consider as part of the HSP's fundamental review early 2011.

Comprehensive Spending Review Headlines

The following summarises the key policy aspects of the Spending Review 2010 and is necessarily, high level.

Council Tax

£650m has been allocated to help local authorities implement a council tax freeze in 2011-12. Where an authority does not increase its basic amount of council tax in 2011-12 compared with 2010-11, it will be eligible to receive a grant equivalent to a 2.5 per cent increase. The Spending Review has concluded that funding can only be provided to support a council tax freeze for 2011-12. However, the Government intends to provide supplementary funding to local authorities' in subsequent years of the Spending Review to compensate them for the council tax income foregone during the period of the freeze.

Community Budgets

The Government has taken on board the Local Government Group's place based budgets proposal and have announced the first sixteen areas. Of these 16 prototypes, five will be London authorities: Westminster (grouped together with Hammersmith & Fulham, Kensington and Chelsea and Wandsworth), Lewisham, Croydon, Barnet and Islington.

The purpose of the Community Budgets are to deliver a model of accountability, which delivers services that are focussed on the needs of communities and individual service users but cheaper through effective joined up working. Councils and their partners will also have greater flexibility to work across boundaries in health, policing, worklessness and child poverty.

The Local Government Group is offering to work with councils to provide support to any authority, outside of the chosen prototypes, who want to develop its readiness to pool money locally into a community budget.

Benefits

Government will reduce spending on Council Tax Benefit by 10% and localise it from 2013-14. This will mean local government will have to decide the best way to protect those members of the community who need help with making council tax payments and also find new ways to reduce the overall amount of support people receive. In addition, government will consider providing greater flexibilities to local authorities to manage pressures on council tax from the same date.

The Government have confirmed that they will phase in a Universal Credit from 2013.

As previously announced by the Chancellor, household benefit payments will be capped at around £500 a week per couple and lone parent households and £350 per week for single adult households – so that no family can receive more than the average working household. The age threshold for receiving the shared room rate will also be increased

from 25 to 35. This means any person aged 35 and under will have a reduction in their Housing Benefit rate, which could range from £30 - £60 a week.

Adult and Social Care

Councils will receive an increase of £1bn in real terms funding through the Personal Social Services grant, rolled into Formula Grant, by 2014-15. Twenty five percent of the increased social care budget includes provision for safeguarding children. A further £1bn of annual funding will be made available through the NHS budget to support joint working between NHS and councils. The expectation is that councils and the NHS will work together to agree how this funding should be used.

All Department of Health specific and revenue grants will be rolled into Formula Grant with the exception of Learning Disabilities Grant and Public Health Grant. These grants are both new and reflect the transfer of responsibility to local authorities.

Department of Health are expected to shortly publish their vision for social care, under which local authorities will be expected to put individuals in greater control of their care, as well as making significant efficiency savings by focusing on prevention and delivering more cost effective care.

Capital

Total capital spending falls by 29% and capital funding to councils is expected to fall by 45%. After taking account of spending financed by councils' own budgets, the fall is expected to be 30%. The CLG communities funding includes funding for 150,000 new affordable homes.

The Government has confirmed it is maintaining a system of prudential borrowing. However the interest rates on future Public Works Loan Board loans is increased by an average of 1% with immediate effect. This increase in cost of debt taken by boroughs may create additional pressure on boroughs to charge intermediate rents (between current social and market rents), which will further impact on housing affordability.

CLG has allocated up to £200m of capital in 2011-12 only to allow councils to restructure their services. This could provide support around capitalising redundancies.

Housing

The Government intends to reform the social housing system. Part of this reform will be a new scheme that allows social landlords to provide a property for only as long as individual circumstances require and to charge new tenants a weekly rent at between social and market rates. It is estimated that the average London council rents will increase to £250 per week for a 3 bed flat. Existing tenants will not be affected by this planned reform which means social tenants will be paying different rents across the borough for the same service. The provision of local discretion on the length of new

social tenancies, whilst reducing under occupancy in the long term may lead to an increasing proportion of tenants who will be on intermediate rent levels.

Government's commitment to increasing housing supply will be delivered by devolving power to local people and stimulating increased private sector investment. A New Homes Bonus will be introduced in April 2011. The scheme rewards and incentivises local authorities and local communities to be supportive of housing growth. The NHB scheme will reward local authorities that build new homes by match funding Council Tax for six years. More details of this programme will be published in a consultation paper in November.

The Council housing finance system will be reformed, with the aim of allowing local authorities to have greater control over their own finances and reinvesting to meet local housing need. The reform will also provide resources required to carry out future disabled housing adaptations required in the council housing stock.

A national decent Homes programme will continue with £2bn funding, although recent London estimates suggest that closer to £2.6bn is required in London.

CLG will shortly publish a Localism Bill that will set out new freedoms, powers and responsibilities for councils and communities. This will include reforms to the planning system, which will be announced shortly. Further details of the new affordable housing programme and associated reform programme will also be published in November.

Education/Children

The schools budget will increase in real terms over the Spending Review period from £35 billion to £39 billion. Per pupil funding is to be maintained in cash terms. A pupil premium of £2.5 billion per annum by 2014/15 is included within the schools budget.

£15.8 billion of capital funding is to be allocated for the provision of new school places in areas of severe demographic pressure, maintain the school state and meet existing Building Schools for the Future commitments to rebuild and refurbish 600 schools.

The Secretary of State for Education also separately announced that the ring fence funding for sport in schools partnerships is to cease with requirements relaxed immediately. This potential reduction in sport at our schools may have additional implications on our already low rate of adult participation rates in physical activity in the future. Research has shown that adults are more likely to participate in sport during adult hood if they have been immersed in physical activity/sport at a younger age.

Sure Start will be protected in cash terms with a greater targeting on improving the chances of disadvantaged communities and the DfE's non-schools budget will decrease by 12% in real terms.

Education revenue funding streams are to be simplified into two core revenue grants – an 'Early Intervention Grant' and a 'Dedicated Schools Grant'.

The current universal entitlement to free early education and care of 15 hours per week for all three and four year olds will be extended to all disadvantaged two year olds.

The Spending Review confirms that the age at which young people must continue in education or training will increase to 18 by 2015. However there will be unit cost reductions in the 16-19 participation budget.

Community providers will be encouraged to enter the early years' market, including through payment by results initiatives. Parents, teachers and community groups will also be supported to establish Free Schools outside of local authority control.

Supporting Long Term Growth

To encourage private sector enterprise and economic growth, CLG will contribute £890 million to the £1.4 billion Regional Growth Fund by 2013-14. The fund will invest in projects and programmes with significant potential for growth and employment, and will in particular support those areas and communities that are currently too dependent on the public sector to make the transition to sustainable private sector led growth and prosperity.

The Government will increase housing supply by reforming the planning system so it's more efficient, effective and supporting of economic development. It will also reduce the total regulatory burden on the house building industry over the Spending Review period.

The Regional Development agencies as announced in the Budget will be abolished by 2014-15. The CSR indicated that some of the savings obtained as a result of the closure of these agencies will be reinvested elsewhere. Details of where this is to be reinvested are unclear.

Climate Change

The introduction of the new Green Deal will allow households to improve the energy efficiency of their house at no upfront cost, repaying through the savings they make on their energy bills. Extra support to reduce energy bills and help improve heating and insulation will be provided by energy companies to combat fuel poverty. This will allow the Warm Front public spending programme to be phased out by 2013-14.

Allowances for 2011-12 for the CRC Energy Efficiency scheme will now be purchased in 2012, 1 year later. Revenue from the allowance sales will not be recycled to participants but instead be used to support the public finances. This means CRC becomes more of a carbon tax than an incentive scheme.

Community Safety

Home Office funding will reduce by 20% in real terms by 2014/15, with police budgets likely to reduce by 14 per cent. The government expectations are that this reduction will be achieved by reducing back office functions and improving productivity and therefore creating minimal reduction in the visibility of police on the streets. Before the CSR was

announced it was indicated that the police could potentially manage a reduction of 12% before seeing an impact on the frontline service.

The CSR emphasises the use of tough community penalties, innovative approaches to reducing re-offending and the use of restorative justice to achieve the Ministry of Justice savings of 23%. The effectiveness of this approach will rely heavily on the council and other agencies such as probation and the voluntary sector to deliver.

Voluntary Sector

Over the spending review period government will direct around £470m to support capacity building in the voluntary and community sector. This includes the Transition Fund of £100 million. Government will look at setting proportions of services to be delivered by interdependent providers such as the voluntary and community sectors, and social and private enterprises. Areas to be explored include adult social care, early years, community health, youth services, court and tribunal services and early interventions for the neediest families.

In recognition of the challenges faced by the voluntary and community sector, the £100 million, transition fund will provide support to those organisations delivering frontline services that stand to be affected in the short term by reductions in spending, and are able to demonstrate that the financial impact will affect their ability to deliver services.