

# Spending review 2011/12 to 2014/15

Carolyn Williamson, County Treasurer

Cabinet, 25 October 2010

# Spending review summary

## **Reform and localism**

- Devolvement of financial responsibility, removal of ringfencing, and removal of LAA and NIS reporting
- General power of competence
- Community budgets (presumably area based budgets rather than operated by communities) - commissioning for outcomes using new incentive tools eg criminal justice and high demand, chaotic families



# Spending review summary

- Support for voluntary and community sector as a deliverer - greater transparency for public scrutiny
- Bottom up planning
- Inequalities eg maintaining universal benefits for elderly, pupil premium and protection of specific grant such as for public health.
- More personalised budgets
- Support for economic growth including a key criteria for transport investment.



# National headlines

- 26% overall reduction for councils (all grants)
- 7.25% councils' average real terms loss of grant in each of the next 4 years
- (excludes schools, police and fire)
- front loaded – biggest cuts in 2011/12 and 2012/13

# Resource DEL: year on year real terms

	2011/12	2012/13	2013/14	2014/15	Total	Annualised change
CLG local gov*	-10.1%	-8.6%	-3.3%	-7.9%	-26.8%	-7.5%
Formula grant*	-12.4%	-8.5%	-3.4%	-8.1%	-28.8%	-8.1%
Total Resource DEL	-1.8%	-2.2%	-1.3%	-3.2%	-8.3%	-2.1%
GDP deflator	1.9%	2.3%	2.6%	2.7%		

\* Local government figures include police and fire

# Council tax freeze

- council tax freeze for 2011/12 only
- £0.7bn p/a nationally - new 'council tax freeze' grant for SR period
- grant will be 2.5% of the increase in 2010/11 Band D figure multiplied by the latest available tax base figure (2011/12 taxbase confirmed end Jan 2011)
- funding each year until 2014/15 to compensate for income foregone during the 2011/12 freeze



# Capital

- 30% cut in overall capital expenditure
  - including 45% cut in funding from Government departments
- up to 1% p/a rise in PWLB rates (interim funding issue while rationalising assets)
- CLG communities capital falls 74% from £6.8bn 2.0bn (including funding for new affordable homes)
- education capital falls 60% from £7.6bn to £3.4bn
- transport capital falls from 11% £7.7bn to £7.5bn



# Revenue grants

- ringfencing of all local government revenue grants ending from 2011/12 apart from schools and new public health grant
- reduction to around 10 core revenue grants
- some specific and area based grants to be rolled into formula grant
- remaining revenue funding – no details available



# Core revenue grants

- Council tax freeze grant (£0.7bn per year)
- Dedicated schools grant (school standards grant most standards fund grants confirmed as ringfenced 'simplified' schools grant)
- £2bn Early intervention grant by 2014/15 (single non-ringfenced, Sure Start focus for the neediest families)
- Public health grant (new from 2013/14)
- Learning disabilities - the funding transfer? (distribution not confirmed)
- PFI grant
- Regional development fund
- Three other grants for housing and homelessness



# Nationally £4bn rolled into formula grant by 2014/15

<b>Grants (2010/11 original allocations)</b>	<b>Hampshire £m</b>	<b>National £m</b>
Supporting people	30	1,636
Personal social services 'ongoing'	12	752
Personal social services 'recycled':	8	303
Social care reform grant, Learning disability campus closure, Stroke strategy		
Preserved rights	5	235
Concessionary travel special grant	4	223
Department for Education grants	2	114

# Grants not confirmed by the Spending Review

<b>Grants (2010/11 original allocations)</b>	<b>Hampshire £m</b>
Connexions	9
Standards fund (LEA element)	8
Aiming higher for disabled children	5
Children's Fund	2
Other Children's Services grants	11
Stronger and safer communities	1
Other	1

# Adult Services grants

## Confirmed

- £1bn social care grant
- £1bn NHS money 80% in 2011/12, of which reablement: £300m p/a
- £6.5bn over 4 years: Supporting people rolled into formula grant
- Other grants rolled into formula grant
- LD transfer
- Public health grant from 2013/14

## To be clarified

- Allocation
- Social care share of funding and influence on policy
- Formula grant impact on allocation
- Formula grant impact on allocation
- Allocation – as negotiated?
- Details to be confirmed

# Adult Services

## Proposal

- New payment mechanism for providers
- Transition fund for voluntary organisations
- Removal of mobility element from Disability Living Allowance
- Housing benefits changes
- Extra care housing – impact of pegging social rents
- 60% cut in housing capital

## To be clarified

- Already externally commission most care – details required
- Further details required
- Could reduce residents' contributions – guidance awaited
- Viability of independent living
- Affordability risk – guidance awaited
- HCA settlement to confirm

# Children's Services: schools

- Schools for 5 to 16s +0.1% p/a real terms increase
- per pupil funding maintained in cash terms
  - but total pupil numbers to increase by average 0.7% p/a (source: IFS briefing)
  - total schools spending per pupil to be cut in real terms by 0.6% p/a (source: IFS briefing)
- winners and losers as funding moves from specific grants to pupil premium (schools with disadvantaged pupils benefit)
- DSG, standards grant and most standard funds grants ringfenced
- £15.8bn total DfE capital funding over SR period
- 600 schools rebuilt or refurbished

# Children's Services

- Early years provision for 3 and 4 year olds and sure start protected in cash terms – more details required for
  - total early years funding (£9.2m)
  - children's centres (£16m)
- community budgets: 16 pilots confirmed with rollout to all over SR period – pooled funding for families with complex needs
- independent providers for early years, youth services and early interventions

# Children's Services – to be clarified

- Only £4m Children's Services grants rolled into formula grant
- More details required for area based grant and specific grants not listed, including
  - Connexions (£9m) vs 'development of an all-age careers service'
  - Aiming high for disabled children (£4.5m)
- Early intervention grant: sure start to focus on disadvantaged families from 2013/14 – what in the interim?

# Environment

- resource grants to be reduced by 28% - could mean -£752k on revenue transport grants (no mention of rural bus subsidy)
- DfT capital focused on major schemes eg Crossrail
- removal of ringfencing for road safety
- bus service operators grant reduced by 20% in 2012
- new statutory role for Hampshire CC on flood management from April 2011
  - promised £2bn investment for flood defences and coastal erosions cut by £763m p/a

# What we don't know

- SR: is the 2010/11 base before or after the cuts
- allocation of formula grant to individual LAs such as Hampshire CC
- distribution of RSG and business rates
- dedicated schools grant allocations
- other specific and area-based grant allocations
- capital allocations
- supported borrowing allocations
- floors and scaling factors

# What we don't know

outcomes of consultations:

- formula grant distribution consultation
  - concessionary fares – allocation/distribution
  - learning disability transfer distribution
  - school funding and pupil premium
- top slicing RSG
- local transport funding
- changes to the local government pension fund scheme – increases in employee contributions expected from April 2012

# Timetable

- late Nov/early Dec 2010: provisional settlement
  - RSG, NNDR and Police Grant allocations
  - remaining revenue and capital specific grants: revenue & capital
  - area-based grant
  - confirmation of concessionary fares / learning disability transfer funding
  - Hutton review on fair pay in the public sector – interim findings

# Timetable

- Jan 2011:
  - Deadline for publication of data (goods, services and invitations to tender over £500, etc)
  - Final formula grant settlement
- Mar 2011:
  - Hutton's final public sector pensions report
  - Child poverty strategy to be published
  - Budget 2011