

# The Spending Round

## 26 June 2013

### LGA Key Messages

- The Spending Round's 10 per cent cut to council funding in 2015-16 is on top of the 33 per cent reduction since 2010 and confirms local government as the hardest hit part of the public sector. Local authority core funding from Department of Communities and Local Government (DCLG) falls by £2.1 billion in 2015-16. This cut will stretch some services to breaking point in many areas.
- The Government has listened to our concerns regarding the importance of providing sustainable funding for adult social care. The announcement of £2 billion additional investment is positive as it will improve health care services for local residents. This will help social care authorities and the NHS to bridge the gap between resources and rising demands. This transfer does not disguise the fact that council funding will have been cut by the equivalent of four times this amount across the life of this Parliament.
- Despite the positive steps taken to target NHS funding at social care, the fact remains that some councils will simply not have enough money to meet their statutory responsibilities for other services.
- Many councils have frozen council tax bills for the past three years to help hard-working families and pensioners during these tough times. Confirmation of the freeze and the 2 per cent referendum limits for the next two years will help local authorities to plan their budgets. We need a longer-term solution for how public services are funded in the future as those local authorities which take up Government's offer to freeze council tax face a real terms cut.
- The Government's support for the Public Service Transformation Network signals that the Treasury and Number 10 are supporting the necessary rewiring of public services. It is absolutely essential that all of Whitehall commits to a community budgets approach as this will make significant savings to the public purse and improve services for local people.
- Tens of thousands of troubled families are already being helped by councils to turn their lives around. The £200 million extension of this fund is a vote of confidence and recognition of just how effective local authorities have been when given the mandate to bring together the work of the whole public sector in their areas.
- There will be a consultation in the autumn about a £200 million reduction in the Education Services Grant. The Chancellor referred to this as a transfer of funding from local government to schools. Such a change may lead to a reduction in local authorities' capacity to support schools. The LGA will be making this very point during the consultation process.



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# Briefing

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- The Chancellor has announced that the total annual growth pot will be £2 billion, well below the £70 billion recommended by Lord Heseltine. The LGA will be issuing a further briefing when Government announces more detail tomorrow.

**This briefing covers:**

- The Spending Round
- Council tax
- Adult Social Care
- Public service transformation
- Children's services and schools funding
- Troubled families
- Local growth
- Fire and Police

## **The Spending Round**

The Spending Round announces that the Government will:

- Reduce total spending in 2015-16, 2016-17 and 2017-18 in real terms at the same rate as during the Spending Review 2010 (SR 2010) period. The overall spending envelopes for Total Managed Expenditure for the three years are confirmed as £745 billion in 2015-16, £755 billion in 2016-17 and £765 billion in 2017-18.
- Make savings from current spending of £11.5 billion in the spending round for 2015-16. The savings from core local government funding is £2.1 billion.
- Reduce local authority core funding by 10 per cent in 2015-16 in real terms. This compares with overall cuts of 5.6 per cent across all other unprotected departmental budgets. Local authority core funding from DCLG falls by £2.1 billion in 2015-16.
- Transfer £2 billion from the NHS to local authorities for social care.

### LGA View:

- Today's 10 per cent cut on top of the 33 per cent reduction since 2010 confirms local government as the hardest hit part of the public sector. Local authority core funding from DCLG falls by £2.1 billion in 2015-16. This reduction will stretch essential services to breaking point in many areas.
- The effect of the NHS transfer to local authorities for social care and other measures reduces the reduction to 2.3 per cent for local government overall from 2014-15 to 2015-16.
- Despite the positive steps taken to target NHS funding at social care, the fact remains that some councils will simply not have enough money to meet their statutory responsibilities for other services.

## **Council Tax**

The Government announced that it will provide further support to freeze council tax for 2014-15 and 2015-16. This will be the equivalent of a 1 per cent council tax increase for councils which freeze their council tax on the same lines as in 2013-14. It will set referendum limits of 2 per cent in both 2014-15 and 2015-16. Subject to the Local Audit and Accountability Bill achieving Royal Assent, this limit will now include levying bodies.

### LGA View

- Councils want to help families and pensioners during these tough times by keeping their council tax bills down. Many councils have already frozen council tax for the past three years. Local authorities which take up government's offer to freeze council tax face a real terms cut so we need a longer-term solution for how public services are to be funded in the future.
- In addition, including levying bodies in the referendum limits will cause more pressure to those councils with large levies for services such as transport, waste and drainage.

## **Adult social care and health**

The Government's announcement on adult social care for 2015-16 includes:

- A £3.8 billion pooled budget for health and social care services, shared between the NHS and local authorities, to deliver better outcomes and greater efficiencies through more integrated services.
- The pooled budget includes:
  - Continuation of the existing transfer from the NHS to social care as set out in the 2010 Spending Review.
  - An additional £200 million in 2014-15 to accelerate the transformation process.
  - £2 billion a year through the NHS to join up local health and social care services.
  - Funds for carers and people leaving hospital who need support to regain their independence.
  - £350 million of capital funding for projects to improve integration locally.
- £335 million for councils to prepare for reforms to the system of care funding, including the care cap and universal deferred payments.

## LGA view

- The Government has listened to our concerns regarding the importance of providing sustainable funding for adult social care. The continuation of the existing transfer of funding from health to social care for 2014-15 is positive, as is the additional £200 million to accelerate transformation.
- New money to drive forward integration is even better for the longer-term. Integration must be a key priority given its role in improving outcomes for individuals and drawing out the real cross-system efficiencies. This is therefore an important signal from Government of their shared commitment to taking this work forward.
- The LGA has worked closely with colleagues from NHS England to secure the additional funding from health to drive forward integration. Attention will now turn to the detail of how the money is released as we expect part of the funding to be conditional on performance. In this respect it is critical that the right balance is struck between locally agreed decisions and conditions emanating from central government. Councils and Clinical Commissioning Groups will need to be supported to demonstrate how stronger joint working can deliver the changes we know are possible from adult social care activity reducing demand on costly hospital services. Early planning will be central to this and we anticipate that councils, working with local partners, will begin preparatory work very quickly.
- The money allocated for adult social care is also an opportunity to improve data sharing between health and social care and strengthen joint planning between the two parts of the whole system.

- The £335 million for implementing care and support reform is welcome. However, with a great deal of detail on the Care Bill still to come in regulations and guidance, and the imminent publication of a government consultation on funding reform, we will want to work closely with the sector to understand the likely costs involved and whether the £335 million is a realistic figure. We have been clear throughout the debates about reform of care and support that any new burdens arising from the proposals must be separately and fully funded.
- In addition, this transfer does not disguise the fact that council funding will have been cut by the equivalent of four times this amount across the life of this Parliament

### **Public service transformation**

The Spending Round signals a major shift in the Government's approach as they now commit to help local public services work more closely together to cut out duplication and invest in reducing demand. This builds on the successful development of whole-place business plans for community budgets in four pilot areas (Essex, Greater Manchester, Tri-borough and West Cheshire) and the analysis the LGA conducted of the pilots.

The Government will invest a £100 million into a council efficiency and transformation fund. In addition, the Government is planning to launch a police innovation fund and provide resources for the transformation of Fire and Rescue Services.

### LGA View

- If the local public sector is going to be smaller, it is going to have to be radically transformed to focus on better collective working and on investment in reducing demand and preventing failure. To achieve that, public services need rewiring based on people and places. The whole-place community budget pilots have demonstrated the savings and improvements in outcomes that can result.
- The expansion of support for areas wanting to develop a community budget is positive, as is the Government's decision to provide incentives for blue-light services and the NHS to engage fully in this agenda. However, there will be more to do to secure buy-in from the full range of Whitehall departments.
- The increased certainty that Clinical Commissioning Group and councils will have from being given their funding allowance in advance will enable community budget business plans to be developed with more confidence. In due course we would hope to see this approach being adopted for the funding settlements for all local public service providers.

### **Children's services and schools funding**

The Chancellor confirmed that schools funding and the pupil premium will be protected in real terms. However, the Education Services Grant, which pays for central services to schools will be cut by 20 per cent. The details

will be subject to a consultation in the autumn. There will also be a consultation on how best to introduce a fair national funding formula for schools in 2015-16.

LGA View:

- The 20 per cent cut in the Education Services Grant is disproportionate and will affect spending on school improvement, management of school buildings and tackling non-attendance.
- It will be essential that the sector engages in the consultation to make the case for local authorities' positive contribution to school delivery and improvement. Government policy and Ofsted's expectations on Local Education Authorities must align.
- Any review of school funding should introduce a fairer funding formula for all schools and ensure local flexibility.

**Troubled families**

The Government has announced a further £200 million will be invested into the Troubled Families programme to extend help to 400,000 families in 2015-16. This additional funding will be subject to match funding from local authorities as with the existing programme.

LGA View:

- Tens of thousands of families are already being helped by councils to turn their lives around. This extension of this initiative is a vote of confidence and recognition of how effective local authorities have been when given the mandate to bring together the work of the whole public sector in their areas.
- The Troubled Families programme has built on the innovative work local authorities were already doing to co-ordinate organisations such as schools, social services, job centres and health centres. It is important that local places have the freedom to tailor solutions to the specific needs of individual families.
- The cuts to local government funding will however make it increasingly hard to provide the key services that troubled families will need.

**Local growth**

The Government announced that £2 billion would be allocated to the creation of a Single Local Growth Fund, in response to Lord Heseltine's recommendation for growth-related funds to be devolved to the Local Enterprise Partnerships (LEPs) through a single pot. The Fund is expected to be operational in April 2015 and sustained each year of the next Parliament. The Chief Secretary to the Treasury will be announcing more detailed spending plans related to growth tomorrow and the LGA will be on hand to provide member authorities an on the day briefing.

LGA View

- We are extremely disappointed that the Single Local Growth Fund amounts to less than 5% of the £49 billion in central government funding that Lord Heseltine determined could be invested more effectively to support growth if devolved to local areas.
- With public finances set to be constrained until the economy fully recovers, it has never been more urgent to enable councils and their local business partners to meet their full potential to unlock local growth.

### **Fire and Police**

Fire and rescue authorities will see a 7.5 per cent reduction overall in their funding for 2015-16. The Government has also announced two specific funds; a £45 million *Fire Efficiency Incentive Fund* to invest in the fire service; and a £30 million resource fund through the local government settlement to encourage joint working.

The Government will also create an innovation fund of up to £50 million for police forces to work jointly with each other and with local authorities.

### LGA view

- The reduction in funding for fire services in 2015-16 is significant and will put additional pressure on Fire and Rescue Services. In establishing new funds the government is signalling its desire to see reform in the sector. Any reform must be led by the sector itself and in our view these funds should be allocated by formula rather than being subject to a competitive process.
- Preventing crime and anti-social behaviour reduces the pressures on the police, councils and the criminal justice system. The announcement of a fund to encourage police forces to work jointly together and with local authorities on new and better ways to prevent crime will provide an important impetus to collaboration.

The full Spending Round can be accessed via this [link](#).