Appendix A

2015 Spending Review and Autumn Statement – Briefing 14.12.15

National Context

- Economy continuing to grow over the next 5 year period of around 2.4% per annum on average with a higher £10.1bn surplus expected in 2019/20 than that reported in July. (and a projected surplus of £14.7bn in 2020/21);

- £27bn extra income than that reported in July (a combination of lower interest on debt charges and higher tax revenues);

- Debt as a proportion of national income also revised downwards from 82.5% in 2015/16 to 71.3% by 2020/21, with reductions in every year;

- Public sector spending cuts to average 0.8% per annum over the next 4 years compared to the 2.0% per annum average cuts seen over the term of the previous parliament;

- £12bn of welfare cuts will be delivered as planned although the government will miss its target in the first 2 years

Headlines for local government

- Cuts to other government Departments are detailed in Appendix 1 for information but as in previous reviews there are different levels of cuts being applied across the various government departments. **The most significant cut is a 56% reduction in Central government funding for local authorities** (although this figure excludes the proposed reform of business rates implications)**;**

- Local government funding is projected to be roughly the same in cash terms in 2019/20 as it is now in 2015/16;

- Local government reform via the 'Devolution revolution' set out a new deal for local government but no new agreements were announced.

- Government confirmed their proposals announced in October to change the way local government is funded by;
    - Retaining 100% business rates,
    - Ending of RSG (by 2019/20?)
    - Adding new responsibilities to fund (eg Public Health, others?)
    - Ending of uniform business rates
    - Giving powers to raise business rates by elected mayors

  No more detail in the Settlement in December but a detailed consultation in 2016, which DCLG views the proposed changes as a new funding system that will need primary legislation

- New social care funding package for councils made up of a special ring fenced 2% precept on council tax which will raise £2bn nationally along with an additional £1.5bn of Better Care funding so that £3.5bn of funding is created by 2019/20 to recognise the increasing costs of social care;

- Consultation on new Homes Bonus reform that could result in at least £800m extra for social care;

- Public Health Funding to be cut in real terms by 3.9% per annum

- An apprenticeship levy of 0.5% on pay bills above £3m to help pay for more apprenticeships and to boost skills;

- Allowing local government to keep 100% of the receipts on asset sales for the revenue costs of transformation projects
- The removal of local authority involvement in schools
- Significant increased investment in infrastructure projects particularly in transport £61bn
- A new £250m pothole fund;
- Local Growth Fund of £12bn confirmed up to 2020/21.

Implications for the Fire Authority and other emerging intelligence

- The government figures in the Spending Review mask the real reduction to RSG of a higher implied cut of around 66% over the next 4 years. (Because other funding has been included in the DEL figure for 2019/20 eg Better Care Fund monies, Freeze Grant etc. and when these are removed the cut in funding on a comparable basis increases);
- If these assumptions are correct then the Authority is facing a much higher cut to its funding than currently planned of around £2.3m. Current planning assumes a reduction in RSG of £7.7m compared to a revised figure of almost £10.0m.
- The figures provided in the SR2015 exclude any impact of the proposed changes to the local government funding system. A full consultation is to be carried out where the Authority will press for a fairer share of resources for the fire service and request that resource equalisation forms a key part of any new system. It must be recognised that income generation differs significantly across the country and that adjustments need to fully reflect this position (via a revised top up and tariff mechanism?)
- The government has assumed real terms growth in Business Rates and Council Tax of 13% across the country on average (gross 22%). This is how Local Government DEL will be the same in cash terms in 2019/20 as it is in 2015/16, despite the cut to RSG, according to the government.
- It may be easier to raise this level of income in different parts of the country. In the North East it will be much more difficult to achieve these very challenging increases with the result this could adversely impact on local authority budgets if the assumed income can not be generated.
- The Referendum Limit of a 2% increase in Council Tax is expected to remain however Social Care Authorities will be able to increase to 4% (including the 2% additional precept announced), and low tax base PCC's will be able to levy a flat rate £5 increase at Band D (in excess of 5% on average) – but no mention of Fire Authorities
- By inference the Council Tax Freeze grant will end
- Apprenticeship Levy is also an additional cost burden of approx £135k.
- The ability to use Capital Receipts to help fund the revenue costs of transformational projects is helpful but it will depend upon the scheme details which are awaited. It will however be of more benefit to Authorities that can easily dispose of their surplus, high value, assets.
- Welcome the fact Council reserves were not included in the funding calculations presented by the Chancellor and agree that the level and planned use of reserves must remain under the control of local government.