

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY AND FINANCE COMMITTEE

INFORMATION

Agenda Item No 13

meeting date: 16 NOVEMBER 2010
title: COMPREHENSIVE SPENDING REVIEW 2010
submitted by: DIRECTOR OF RESOURCES
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1 PURPOSE

- 1.1 To update members with the latest information arising from the Comprehensive Spending Review 2010 announced on 20 October 2010.

2 BACKGROUND

- 2.1 The full document (104 pages) is available to download from the HM Treasury website at www.hm-treasury.gov.uk. A hard copy has been placed in the members room.

3 IMPACT ON LOCAL GOVERNMENT - HEADLINES

- 3.1 The Spending Review sets out real terms reduction of 28% in local authority budgets over the next four years. This compares with overall cuts of 8.3% across all departmental budgets. Local authority core funding from CLG falls from £28.5bn in 2010/11 to:

- ❖ £26.1bn in 2011/12
- ❖ £24.4bn in 2012/13
- ❖ £24.2bn in 2013/14
- ❖ £22.9bn in 2014/15

- 3.2 The fall in grant is more than 7% a year in real terms, and significantly front-loaded.

- 3.3 Local authority capital funding will be cut by around 45% over the four years, compared with 29% over the whole of the public sector. Prudential borrowing remains however Public Works Loan Board interest rates have increased by 1% with immediate effect.

- 3.4 16 local areas have been selected to run community budgets from April 2011, with the intention this is rolled out to all authorities from 2013/14.

- 3.5 Revenue grants totalling £7bn have been unringfenced from 2011/12. The number of separate core grants have been reduced from 90 to fewer than 10. Early indications of the remaining core grants are;

- ❖ Early Intervention grant
- ❖ Public Health Grant (from 2013/14)
- ❖ Learning Disabilities
- ❖ New Homes Bonus
- ❖ Council Tax Freeze Grant
- ❖ Housing Benefit and Council Tax Benefit Admin Grant
- ❖ PFI Grant
- ❖ Dedicated Schools Grant

❖ Preventing Homelessness

3.6 The Government will fund councils to set a zero council tax increase for 2011/12. This funding will be built into funding each year for the four year period.

4 CSR IN MORE DETAIL AND IMPACT ON RIBBLE VALLEY BC

4.1 Loss in Grants

4.2 Councils will face an average loss of grant of 7.25% in real terms in each of the next four years. The government have said they will be removing ringfencing from all revenue grants from 2011/12 except simplified schools grants and a new public health grant, the number of separate core grants will be simplified from over 90 to fewer than 10, and more than £4 billion of grants will be rolled into formula grant.

Impact on Ribble Valley

4.3 Ribble Valley currently only receives £30k from Area Based Grants plus Concessionary Travel special grant of £160k per annum.

4.4 Concessionary Travel will be rolled into Formula Grant and as members will be aware will be transferred to the Upper Tier authorities in April. The outcome in terms of the impact on our finances of the transfer of Concessionary Travel will depend on which of the options the Government decide to go along with as reported in the recent consultation paper.

4.5 The total grants being added into Formula Grant total £4bn. It is unclear at this stage whether the grant reduction announced ie 7.25% partly reflects the 80 or so Special grants being cut. If this is the case then the potential impact on Ribble Valley could be less than if the 7.25% reduction purely applies to Formula Grant as it stands now. We eagerly await the outcome of the consultation on the Formula Grant Distribution which could significantly reduce the Councils eventual grant settlement.

4.6 To illustrate if we were to lose 7.25% in real terms on our Formula Grant:

Amount per year	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Formula Grant increased for 2.5% inflation	4,141	4,246	4,037	3,838	3,648
Formula Grant based on 7.25% reduction		3,938	3,744	3,559	3,384
Reduction in real terms		-308	-608	-902	-1,188
Reduction in cash terms		-203	-397	-582	-757

4.7 I have updated our latest budget forecast to reflect the potential grant reductions shown above and also the latest tax base position. This shows reductions needed of up to £1m by 2014/15.

Benefits

4.8 The Government have stated they will reduce spending on Council Tax Benefit by 10% and localise it from 2013/14. In addition the government have said they will consider

providing greater flexibilities to local authorities to manage pressures on council tax from the same date.

- 4.9 The Government have confirmed that they will phase in a Universal Credit from 2013.
- 4.10 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 no family can receive more than the average working household.
- 4.11 An increase in the age threshold for the shared room rate from 25 to 35 – it is projected that this will save £215m by 2014/15.

Impact on Ribble Valley

- 4.12 We make annual council tax benefit payments totalling around £2.5m. 10% therefore equates to £250,000. Under the Government's proposals we would have to find ways to reduce the overall amount of support people receive. If the reductions were less than this amount then obviously the council would have to stand the reduction in grant paid from the Government.
- 4.13 The changes to Housing Benefit are far reaching and will whilst they are not immediate mean that we will be investigating how we will ensure our systems will deal with the changes as soon as possible.

Capital

- 4.14 Capital funding to councils is expected to fall by 45%, though after taking account of spending financed by councils' own budgets, the fall is expected to be 30%.
- 4.15 The CLG will allocate up to £200m of capital in 2011/12 only to allow councils to restructure their services – for example by capitalising redundancy costs.
- 4.16 The Government confirms it is maintaining the system of prudential borrowing. However the interest rates on future PWLB loans is increased by an average 1% over gilts with immediate effect.
- 4.17 The CLG communities funding includes support for 150,000 new affordable homes.

Impact on Ribble Valley

- 4.18 In terms of capital grants we expected to receive in the future from the Government we only have 2 which we have built into the five year capital programme.
 - ❖ Disabled Facilities Grants of £108,000 per year
 - ❖ Regional Housing Pot funding of £131,000 per year
- 4.19 The Government have said provision for Disabled Facilities Grants will rise with inflation so it appears these grants will not be cut but instead increased slightly. However it is doubtful Regional Housing Pot Funding will continue. This is used to primarily support Housing Strategy schemes in our capital programme such as Landlord/Tenant Grants.
- 4.20 We do make use of Prudential Borrowing to fund our capital programme, however as members will recall due to the recent changes to how we calculate our minimum revenue provision (MRP) we ensure that borrowing is only used to finance capital schemes which a long useful live such as purchase of land ie not vehicles. The amount included in our capital programme to be funded using prudential borrowing is currently £100,000 per year.

- 4.21 We currently have outstanding PWLB loans of £550,000. We have not taken any decisions to enter into any new loans and until we do so will not be impacted by the increase in interest rates.
- 4.22 The ability of councils to capitalise redundancy costs will mean they can spread the cost over several years rather than charge the amount to the single year in which payments fall.

Council Tax Freeze

- 4.23 The Government have confirmed they will fund a council tax freeze for 2011/12. The loss in revenue will be funded at 2.5% in each year of the Spending Review period. There is no funding for further freezes beyond 2011/12 and no guarantee that the funding to support the 2011/12 freeze will continue beyond 2014/15.

Impact of Ribble Valley

- 4.24 Our Band D council tax for the current year is £140.69. If we freeze this amount for 2011/12 then the amount of funding we would receive from the Government would be £78,600 each year for four years totalling £314k.

Regional Growth Fund

- 4.25 The Regional Growth Fund will be extended to three years and increased in size from the £1bn announced in the Budget to £1.4bn

Impact on Ribble Valley

- 4.26 As members will be aware the Government are replacing Regional Development Agencies with Local Enterprise Partnerships (LEP's). The local growth white paper (see separate report on this agenda) published on 28 October, names the 24 successful LEP bids. The three bids put forward for Lancashire have been rejected so far. The additional funding for the Regional Growth Fund - £1.4bn however is significantly less than the Regional Development Agencies budget which was £2.3bn. The impact on Ribble Valley will depend on whether any funds are earmarked for our area and whether eventually a successful bid for Lancashire is announced.
- 4.27 The Department for Business, Innovation & Skills has stated that those councils whose bids for new local enterprise partnerships have not been accepted will still be able to bid for economic development funding if they partner with the private sector.

Community Safety

- 4.28 Central government funding to the Home Office will reduce by 20% in real terms, with police budgets likely to reduce by 14%. The government expects the police to cut waste, back office functions and improve productivity before reducing frontline officers.

Impact on Ribble Valley

The Police Authority appears to have been treated less harshly than other parts of the public sector. In terms of our funding we support 2 PCSO's with the police contributing towards these. The Police Authority have recently announced that they have put on their at risk list all 427 PCSO's across Lancashire because of reductions in government grant.

New Homes Bonus Scheme

- 4.29 The Government have confirmed the New Homes Bonus Scheme where they will match council tax on every new home for a 6 year period. For affordable housing they have stated they will match 125% of receipts. The scheme will commence in 2011/12 and a consultation paper regarding the scheme will be launched shortly.

Impact on Ribble Valley

- 4.30 As you will be aware there are a considerable number of planning applications for dwellings that have been already approved, submitted waiting consideration and in the pre-application stage. Whilst the approval of individual planning applications quite rightly is for Planning and Development Committee, it seems reasonable to assume a significant number of houses could be built over the next 6 years. Purely as an example, if the Council approved the building of 161 new homes per year then the amount we would benefit by would be £237k cumulative each year. However until the consultation paper is finalised we are unclear as to whether we would keep the whole of the council tax or just our share. Latest thoughts are planning authorities would keep 80% of the amount raised.

5 CONCLUSION

- 5.1 We will continue to analyse any further information arising out of the Spending Review, however until the detailed individual local authority settlements are published in early December we are not in a position to state with certainty what the full impact on our finances will be.
- 5.2 However we do know that we need to continue to examine all our budgets very carefully and proceed with the second stage of our restructuring exercise.
- 5.3 Based on current information we estimate that the position is certainly manageable in the short term which will allow the Budget Working Group and the Council to take a considered view on where savings need to be made.

DIRECTOR OF RESOURCES

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8 NOVEMBER 2010