

## **Spending Review 2010 – Headline announcements affecting the Oxfordshire Partnership**

This briefing covers the headlines from the recent Spending Review and other recent policy announcements that are likely to affect the Oxfordshire Partnership and its membership.

### **Key issues for discussion**

- How will the announcements affect your individual organisations?
- What are the cross-cutting issues across organisations and does the Spending Review present the Partnership with any opportunities?

### **Public sector budgets**

- The Government estimate that there will be a reduction of 490,000 in the public sector headcount over the next four years.
- On average, Government departments will cut 19% from their budgets over the period to 2014/15.
- Overall capital spending will reduce by approximately 45% to £47bn in 2014/15 and the costs of public sector borrowing will increase.
- Local government will take cuts of 7.25% each year for the next four years.
- Most grants to local authorities will no longer be ringfenced, giving more flexibility to prioritise funding. However, while we will not know until the Local Government Financial Settlement in December, we have concerns over the impact of the transfer significant levels of specific grants into Formula Grant, which may be significant on 'floor authorities' such as Oxfordshire. In particular we are worried about the impact on levels of funding for social services, which is an area that the government has said would be protected.
- There is a potential loss of £20m of specific grants which do not appear to be either transferred into Formula Grant or the nine remaining Specific Grants.
- Local authorities will receive a grant to incentivise freezing Council Tax.
- Health spending will rise every year over and above inflation to £114bn by 2014/15. This means a real-terms increase in health spending by 1.3% over the review period. Overall, the department is expected to save £20bn in efficiency, but this will be reinvested.
- The Home Office has said that the Police budget will reduce by 20% in real terms by 2014/15.
- Public sector pensions will be reformed once the Hutton review is published, projected to deliver £1.8bn savings per year by 2014/15.
- In a related announcement, local partners will be able to amend or drop any of the current 4,700 LAA targets without needing ministerial agreement. Where they choose to keep the targets, central Government will have no role in monitoring them. The Government will also not be requiring local authorities to prepare an LAA from April 2011, once the current agreements expire.

## **World class economy**

- £30bn of capital investment in transport was confirmed, though many schemes are not included in the current allocation, notably £62m of funding for the Access to Oxford scheme that included refurbishing Oxford Railway Station. The Department for Transport Business Plan announced that local authorities would be able to decide their own local transport priorities and solutions.
- However, £69m of investment in the Diamond Synchrotron will proceed.
- The social housing capital budget will be cut by more than 60% to £4.5bn.
- The Housing Revenue Account will be reformed, replacing the annual centralised subsidy with a locally-run system, whereby councils can keep their rental income and use it to maintain homes.
- Social housing tenants will no longer have a 'home for life' and could be charged up to 80% of market-value rent.
- Schools budgets will see a real-term increase every year, from £35bn to £39bn per year and cash funding for individual pupils will not fall.
- We also expect a number of proposed changes arising from the Education White Paper, which is expected in late November.
- Train to Gain will be abolished.
- The Growth White Paper launched on 28 October announced:
  - 24 successful Local Enterprise Partnership bids, including the Oxfordshire City-Region Enterprise Partnership;
  - Economic development roles and responsibilities following the abolition of the Regional Development Agencies, with much devolved to the Local Enterprise Partnerships;
  - An ambition to have the best superfast broadband in Europe by 2015;
  - Arrangements for the £1.4bn Regional Growth Fund;
  - Consultation proposals on financing growth, including the New Homes Bonus, Business Increase Bonus (replacing LABGI), business rates and Tax Incremental Financing; and
  - Planning proposals as per earlier announcements, to shift the system towards acting as a stimulus for growth, including radically changing funding models, introducing a requirement for local authorities to produce a local development plan, encouraging infrastructure plans, establishing the 'key strategic framework on infrastructure' and a statutory duty to cooperate (including infrastructure providers).

## **Healthy & thriving communities**

- The Concessionary Fares Scheme will continue but whether funding will cover costs remains uncertain.
- An estimated £7bn will be saved from welfare reform, including:
  - Reductions in child benefit and working tax credits;
  - Reductions in disability benefits;
  - Spending on council tax benefit to be reduced by 10%, to be determined by local authorities from 2013/14;

- The introduction of a universal credit to replace means-tested working age benefits and tax credits.
- The Government will allocate additional grant funding for Personal Social Care of £1bn per year by 2014/15 alongside a further £1bn from the NHS (though the local authority element may be affected by the changes to grant allocations mentioned above).
- In addition, proposals in the NHS White Paper outlined plans to abolish Primary Care Trusts in April 2013, to be replaced by groups of GPs to commission services with public health responsibilities transferring to local authorities. Health & Wellbeing Boards will take on the function of joining up the commissioning of local NHS services, social care and health improvement.
- £470m over the next four years will go towards building the voluntary sector's capacity so that it can help deliver the Government's Big Society agenda, including a £100m Transition Fund to help the sector adjust to public sector spending reductions
- The Department for Communities & Local Government and Cabinet Office Business Plans also set out plans to:
  - Provide greater freedom and flexibilities to local government so that they can genuinely lead their communities
  - Increase transparency by letting people see how their money is being spent
  - Support departments to open up public service delivery to new providers, helping to build the Big Society

### **Environment & climate change**

- The Government will invest up to £1bn in carbon capture & storage and £1bn in funding for the Green Investment Bank.
- There will be some investment in flood and coastal defences, though it is unclear whether this will cover costs for local partners.
- There was a related announcement on the Carbon Reduction Energy Efficiency Scheme. The Government will now retain auction revenues for permits, rather than them being recycled to scheme participants. This means that the scheme is now effectively a tax on the carbon use of large organisations

### **Reducing inequalities and breaking the cycle of deprivation**

- The £2.5bn pupil premium for poorer pupils will go ahead, giving state schools some £2,000 more to educate children from low-income families. As part of the package of support for poorer pupils, an additional 15 hours of free childcare for two-year-olds was announced and universities could be paid extra for awarding places to the most deprived teenagers.
- The Education Maintenance Allowance (EMA) will be withdrawn in place of more targeted support.