

Highlights of the Comprehensive Spending Review

Background:

1. The Autumn Statement was based on increased tax receipts and improved projected growth figures from the Office of Budget Responsibility (OBR), which the Chancellor used to establish targets for reductions in the national debt and borrowing figures, leading to a predicted surplus by 2019-20.
2. The Spending Review presented a headline of reducing funding to local government compensated by increased income from a greater share of business rates. Further analysis by Specialist Interest Group of Municipal Authorities (SIGOMA) of the Budget and (OBR) documents suggests that any increased funding from business rates and Council Tax will be accompanied by increased costs. Therefore the headline real term cuts of 56% to local government grant, represent a cut to core funding for which further efficiencies will be required.
3. A number of government departments will be making significant cuts:
 - Department of Business, Innovation and Skills - 17%
 - Department of the Environment, Food and Rural Affairs - 15%
 - Department of Energy and Climate Change - 22%
 - Cabinet Office - 26%
 - Department for Transport - 37%
 - Department for Work and Pensions - 14%
 - Department of Culture, Media and Sport - 20%
 - Home Office - 30%
 - Department for Communities and Local Government - 29%
 - Department of Health - 25%.

Local Government Finance Settlement

4. The Review updated Departmental Expenditure Limits (DEL), which increased from the July Budget statement. This was attributed an improved forecast budget surplus against target which has allowed the Chancellor to absorb the additional £4 billion of pressure from reversing the decision on working tax credit and reduce the profile of cuts shown the July budget.

Regions and Local Government:

5. The Government reiterated its earlier proposal, made in October 2015, to abolish Uniform Business Rates by 2020, giving local authorities the power to cut rates to boost growth, and giving elected city-wide mayors the power to levy a business rates premium for local infrastructure projects with the support of local business.
6. The current system of top ups and tariffs redistributing revenues between local authorities will be retained. At the present time Southampton is a top up authority receiving £1.6M

7. As part of this reform the Government set out they would be consulting on phasing out the Revenue Support Grant by the end of this Parliament and devolving additional responsibilities to local authorities. For example, transferring responsibility for funding the administration of Housing Benefit for pensioners, and the funding of public health.
8. The Government will deliver its commitment to a £12 billion Local Growth Fund between 2015-16 and 2020-21. The Chancellor also announced 26 new Enterprise Zones, including expanding 8 Zones on the current programme.
9. The Temporary Accommodation Management Fee will no longer be paid through the benefits system from 2017/18 – instead, councils will receive £10m a year more, upfront, to provide more help to homeless people. At the moment there is no further detail on what this will mean for Southampton.
10. The government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Instead of holding assets that could be made surplus, councils will be able to sell them and reinvest in their services. The flexibility to use asset receipts for reform projects will be subject to a number of conditions, including limits on the years in which the flexibility will be offered and the qualifying criteria for reform projects.

Health and Social Care:

11. Local authorities will be able to levy a “social care precept” of up to 2% in council tax which must be spent exclusively on social care, with the potential to bring almost £2bn more into the care system across the country. The Better Care Fund will be increased to support this and local authorities will be able to access an additional £1.5bn by 2019-20.
12. The Chancellor reaffirmed his commitment to a £10bn real increase in the health service budget and will deliver £6bn of this ‘up front’ to fund the NHS’ Five Year Forward View. As a result, there will be more than £5bn of health research, including a new Dementia Institute. There will be an extra £600m of extra funding to support mental health, including talking therapies, crisis care and perinatal care.
13. Alongside savings in the public health grant, the government will consult on transferring new powers and the responsibility for its funding and elements of the administration, to local authorities
14. Funding for Troubled Families will continue, with efficiencies found from central budgets and current levels of funding will be maintained for community integration programmes, which will be targeted at supporting the recommendations made in Louise Casey’s review of opportunity and integration in isolated and deprived communities.

Welfare and Pension:

15. The Chancellor confirmed that the welfare bill will be reduced by £12bn over the life of the Parliament. He also announced that the proposed tax credit cuts will

not be implemented, and have been completely dropped, prior to being phased out with the introduction of Universal Credit.

16. There has been a 3.2% reduction in unemployment rates; in order to reduce this figure further, the Government will extend support to more claimants and require weekly attendance for the first three months. The Department of Work and Pensions will be required to reduce its estate, which will include co-locating with local authorities.
17. The basic state pension will rise by £3.35 a week from next year, to £119.30, and a single-tier pension will be created for new pensioners from next year, at £155.65.

Housing:

18. The national housing budget will be doubled, to £2bn, and 400,000 affordable homes will be built, both to rent and to buy; almost half of these will be starter homes, while 135,000 will be available for the Help to Buy: Shared Ownership scheme. From midnight on 25 November 2015, a right-to-buy pilot scheme, allowing tenants from five housing associations (L&Q, Riverside, Sovereign, Saffron Housing and Thames Valley), to buy their own homes.
19. There will be a 3% increase in stamp duty on homes bought as buy-to-let or second homes, which will be used to support families in places where prices are high and houses are limited effective from next year, raising £1bn by 2021 with some of the money being reinvested into local communities where local people are being priced out of home ownership.
20. The government will also consult on reforms to the New Homes Bonus, including means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. This will include a preferred option for savings of at least £800 million, which can be used for social care.
21. The rate of housing benefit in the social sector will be capped at local housing allowance rate and housing benefit and pension credit will be capped for recipients who are out of the country for more than a month.

Education and Skills:

22. The Chancellor confirmed that there will be 30 hours of free, funded early education for three and four year olds from 2017, for families working for more than 16 hours and whose incomes are below £100,000 per parent. Free childcare for the most disadvantaged two year olds will be maintained and funding for the sector will be increased by £300m to support more free places.
23. All 3 and 4 year olds currently receive 15 hours of free childcare a week. In the summer term 2015 Southampton had 6,746 3-4 year olds taking advantage of their placements.

24. Funding for Free School Meals will be maintained, rates for the pupil premium will be protected and there will be an increase in the cash for the Dedicated Schools Grant.
25. The Chancellor pledged to open a further 500 free schools and university technical colleges and said that every secondary school will be given the chance to become an academy. The Government has expressed the view that local authorities will no longer run local schools, creating a governmental saving of £600m, on the Education Services Grant.
26. £23bn will be invested in school buildings and 600,000 new school places will be created. The current national base of funding for 16-19 year olds will be maintained and the National Citizen Service will be expanded, so that it will be available to 300,000 young people by 2020.
27. The government will phase out current school funding regime and create a new national funding formula to address the current inequities in funding, especially for the most disadvantaged pupils. Consultation for this will begin in the New Year, with a view to introducing the formula in 2017.
28. The Government reiterated its commitment to creating three million apprenticeships by 2020. It will also introduce an apprenticeship levy from 2017, set at 0.5% of employers' pay bill, in order to raise £3bn a year. Every employer will receive a £15,000 allowance to off-set against the levy, which means that over 98% of all employers, and all those with pay bills of less than £3m, will pay no levy at all. It is expected that local authorities will not be exempt from the levy.

Security and Policing:

29. The Government is committed to spending 2% of income on defence. The Single Intelligence Account will reach £2.8bn and the Defence budget will rise to £40bn by 2021; the National Security Strategy and Strategic Defence and Security Review 2015 suggests that there will be investment in security for ports and airports, which is likely to include Southampton. An additional £500m will go to the counter-terrorism budget.
30. There will be no cuts to police budgets and real terms protection for their funding was announced.

Other announcements:

31. Despite the Department for Transport's operational budget being reduced by 37%, its capital spending will increase by 50% to 61bn, to fund road infrastructure and other major infrastructure projects, such as HS2. There will be more than £300m of funding for cycling investment between now and 2020-21, including delivering in full the £144m Cycle Ambition City scheme and a permanent 'Pothole Fund' of £250m over the next five years.
32. There will be a £2bn fund to protect 300,000 homes for flooding and protection for national parks and forests.

33. Underused courts will be closed and the money saved will fund £700m of investment in new technology to speed up the justice process.
34. Outdated prisons will be closed and new, purpose built facilities will be built as replacements.