



Briefing 10 - 60 October 2010
CSR 2010: Outcomes for local government

The Comprehensive Spending Review 2010 – Implications for local authorities

To all local authority Chief Executives, APSE main contacts, Council Leaders and Elected Members

Key issues:

- What does CSR 2010 mean for local authorities
- How will the spending plans impact upon frontline service delivery
- What opportunities should be explored to help balance budgets
- Further information and support is available from APSE by contacting mbaines@apseorg.uk

1. Introduction to CSR 2010

First introduced as a process by Gordon Brown as Chancellor the Comprehensive Spending Review (CSR) has now become a regular feature of Government spending plans in addition to the traditional budget setting process. CSR is designed to allow a longer term arrangement for spending plans on a three to four year cycle, providing a degree of certainty over future spending plans to assist the budget setting process in public services.

CSR effectively sets the Governments allocated spending amongst all departments including of course local government in addition to health, education, welfare and defence. The 2010 CSR has provided the level of spend for the next four years (2011-12 to 2014-15), based on overall spending levels set in the June 2010 budget.

2. What are the CSR 2010 plans for local government

The Chancellor announced plans to reduce spending in local councils by 7.1% each year over four years. However, in a letter to local authority leaders

Eric Pickles, the Secretary of State for Communities, has indicated that councils will face a slightly higher reduction with an average loss of grant of 7.25%, in real terms, in each of the next four years.

Overall, revenue funding from Government will reduce by 26% in real terms between 2010-11 and 2014-15 – excluding schools, fire and police, though the figure could be higher if factors, such as higher than expected inflation, are taken into account.

In the case of fire and rescue authorities funding will be cut by around 25% over the period. However the Secretary of State has indicated that the reductions for fire and rescue services are weighted to the second half of the spending review period, so that fire and rescue authorities have time to prepare.

For **Scotland** and **Wales** and **Northern Ireland** each will be able to determine its own spending priorities in areas such as health, education and policing, but the overall allocation made to them has been determined by the Barnett Formula. This will in theory at least mean that the Scottish Parliament, the Welsh assembly Government and the Northern Ireland Assembly would have the freedom, should they choose to do so, to protect areas such as education and health. Nevertheless the overall sum of the settlement will reflect similar cuts to those experienced in England so local decisions about cuts will need to be made to reflect the reduction in the overall settlement.

3. Additional areas of spend

The Chancellor announced a series of additional areas of spend (though funded from the overall public sector spending pot which suffer a net cut of £81 billion). These spending figures include:-

- £2 billion to support adult social care by 2014-15; of which £1 billion will be found from NHS sources and an additional £1 billion by 2014-15 into formula grant;

- New funds available through the Supporting People workstream over the spending review period;
- Community Budgets in 16 areas from April 2011, by pooling departmental budgets at source for 16 places, to tackle families with complex needs, with the intention that all areas will be able to take this approach from 2013.
- £4.5 billion in affordable housing over the next four years. Of which it is intended to provide £200 million over four years to the Mortgage Rescue Scheme and £100 million for Empty Homes.
- £2 billion for the Decent Homes programme;

The much publicised council tax freeze will effectively operate as a trade off whereby if councils operate a council tax freeze in 2011-2012 Government will fund an equivalent of a 2.5% increase for that year for the spending review period.

There is also an end to ring fencing of revenue grants from 2011 (with the exception of school grants) and a new Public Health Grant from 2013 and reforms to Housing Revenue Grant .

Other new dimensions for council finances include moves to GP commissioning , a drive towards greater use of pooled budgets, including police and crime commissioners, and the replacement of the Regional Development Agencies (RDAs), which are to be abolished, with local enterprise partnerships and a new regional growth fund. As previously announced councils will be able to borrow against future growth in Business Rates to fund infrastructure projects.

4. What is expected of councils?

The Secretary of State has argued that because councils will have more freedoms and flexibilities than ever before, including a promise to deliver a Power of General Competence to councils, and the scrapping of a myriad of audit and inspection processes, the savings are achievable. In particular the Secretary of State highlights the dismantling of Local Area Agreement (LAA) targets and the national indicator set. There is also a strong emphasis on :-

- Local innovation
- Elimination of waste
- Better productivity to drive through savings
- Better procurement
- Shared services
- Controlling 'excessive' senior pay levels
- Drawing on expertise from the community and voluntary sector

5. Impact on jobs and local and national economies

Overall job losses in the public sector are cited as being 490,000 and local government will take a high proportion of these losses. However, some have estimated this figure to reach over 600,000. A recent report by Price Waterhouse Copper suggested the total impact as nearer to 1 million jobs. The Centre for Economics and Business Research (CEBR), found that the unemployment rate will exceed 10% in Wales and the North of England, showing areas more reliant upon public sector work could suffer the harshest impact.

APSE's own research on the economic footprint of public services shows that for every £1 spent by the public sector there is a return of £1.64 into local economies. However around a third of this 'economic return' related to employee spend in local economies. Therefore the impact of public sector job losses could be felt in both local and national businesses, in terms of supply chains to the public sector but also the retail sector which in particular accounted for around a 45% drop during the economic downturn. There are also estimates which put losses to the Treasury at around £4.6bn in lost tax revenue (income tax etc) and £6.1bn in increased benefit payments.

6. Financial Armageddon or service transformation?

The spending reductions could be nearer to 30% when account is taken of factors such as yet to be resolved equal pay liabilities, inflation and increased service pressures are considered. Particular areas of concerns include social care, with an aging population, the environment, when increases in landfill tax and dealing with carbon reduction initiatives are taken into account, and the on-going housing problems particularly the waiting lists for social housing.

However, local government has a history of dealing with efficiencies in an innovative way and successfully over-achieved on the delivery of Gershon efficiency from 2004 onwards. There is of course a valid argument that having dealt with efficiencies to this extent in recent years there is little fat left to trim. But 'doing nothing' is not an option for councils since around 80% of it's funds come from central government and the other major contributor to local funding through council tax is subject to a mechanism which will effectively see this taxation income frozen in exchange for a slightly more generous top-up from central government.

Over a number of years APSE has developed methods and practices to assist member authorities, including:

- **Effective benchmarking costs** in frontline services which allow sharing of best practice and cost comparisons between local authorities which helps in the delivery of efficiencies through promoting and sharing best practice on costs, quality and service delivery mechanisms and approaches.
- **Income generation:** through the promotion and sharing of case studies on using trading and charging to generate income into services to help offset service costs and improve the ratio and distribution of overheads as well as more productive use of resources
- **Service improvement planning:** APSE has assisted many authorities carry out service reviews including exploring business processes, stripping out unnecessary processes to help manage more effectively service delivery, use of 'lean HR' to better match resources to need and minimize the need for overtime and other unplanned of payments.
- **Developing green initiatives:** APSE has explored with a number of authorities the potential income generation and carbon efficient methods of developing waste to energy schemes and use of greener energy to minimize utility costs to the public sector.

Therefore whilst APSE would suggest that the less tangible aspect of the cuts, in the short term at least, including the impact on; local economies, could prove to be damaging in the longer term, the response from local councils, needs to focus around maximising new opportunities and improving services from within in order to safeguard service delivery rather than just crude cost cutting.

There is no compelling evidence that savings can be found from reactive moves to outsource services to the private or third sector and this could in the longer term lead to increased costs. The response should be to develop leaner approaches to service delivery by sharing and learning from within local government.

Help for member authorities can be found on the APSE website including-

[APSE performance networks](#)

[APSE membership resources briefings area](#)

[APSE charging and trading web portal](#)

[APSE not for profit consultancy services](#)

More detailed briefings will be issued on the impact of the spending review on different frontline service areas. Please feel free to comment on this briefing by emailing Mo Baines on mbaines@apse.org.uk

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