1. Introduction

1.1 The Chancellor of the Exchequer, delivered the report of the 2010 Spending Review to Parliament on 20 October 2010. This report sets out some of the key issues arising from the announcement and following documents published by the various Government Departments.

2. Executive Summary

2.1 The overall picture as to how this will directly impact on Wiltshire Council, as for all other local authorities, remains unclear. The precise detail of the Government Grant to the Council will not be known until December 2010 or even January 2011.

2.2 The headline reduction for the Department for Committees & Local Government's (DCLG) spending limit (known as its Departmental Expenditure Limit [DEL]) is 27% in real terms, or 19.6% in cash terms (i.e. the money we get will go down by 19.6% but costs are expected to rise by 7.4% over the 4 years and this will not be funded). Clarification on how this will be spread across the four years is still to be announced, but the reduction in 2011/12 is expected to be greater than first forecast and be greater than the 10.7% formula grant after accounting for the expected loss of certain specific grants.

2.3 Clarification is still required on how this DEL will be divided between authorities in terms of the amount of 'unringfenced' formula grant and specific/ring fenced grant. Wiltshire last year received £102.4m formula grant (including NNDR) and £183.6m specific and ring fenced grants. The Chancellor's announcement that £4bn of previously ring fenced grant will be moved into the formula is to be welcomed in terms of local freedoms over how to spend that money, but still leaves c.£30bn nationally of other grants for which the impact of the reduction is to be revealed. So for example the Local Transport Planning (LTP) grant is expected to remain specific and is estimated to fall by c.28%, with details announced before the end of October, for other grants it is likely we will not hear until the end of November.
2.4 There have been new funding streams announced, although detail on these continues to come out regarding what they are for, and how they will be allocated. The key new funds are:

- £1bn for Personal Social Services for Local Authorities (+ £1bn for NHS) – this is likely to focus on helping vulnerable adults, but this has not been ring fenced.
- £2.5bn for a Pupil Premium Grant to assist deprived children’s education.
- A Council Tax Freeze Grant for those authorities that chose to freeze Council Tax in 2011/12. This grant will last for 4 years and will fund up to 2.5% of the resultant loss to authorities tax base as a result of a decision to freeze in 2011/12. Although it is unclear what the impact of any increase in precepts from Police, Fire or parishes will have on this grant entitlement.

2.5 To date the Council is forecasting reductions in 2011/12 of around 9% in total and across the four years 25%. As more detail is announced these forecasts and the consequences will need to be reflected in the budget set by Council next February 2011.

3. **Detail**

3.1 The CSR published Departmental Expenditure Limits (DELs) for the four-year Spending Review (SR) period; 2011/12, 2012/13, 2013/14 and 2014/15. How individual local authority allocations are to then be made will be announced as part of the 2011/12 Local Government Finance Settlement which is expected to be published in December. It is not yet clear whether this announcement will cover years beyond in 2011/12, as a review of the formula to allocate money to local government is due in 2011.

3.2 **DCLG Local Government Resource DEL**

The DCLG Local Government Resource DEL is largely made up of Formula Grant (RSG + NNDR), it will also include the new Council Tax Freeze Grant and a small number of other unidentified grants (previously this included LABGI and LAA Reward Grant).

3.3 HM Treasury and the DCLG have quoted various figures relating to the DCLG Resource DEL. These figures were given in cash and real terms and cover schools, fire, police and local government funding to various degrees. The following table aims to pull together all the figures the Finance Team have seen in relation to this DEL and detail what they include.
3.4 In his letter to Local Authorities, Secretary of State for Communities and Local Government Eric Pickles said overall revenue funding to local authorities from all Government departments will reduce by 26% in real terms. He added “local authorities will have greater control over more than £7bn of funding from 2011/12 which is moving into Formula Grant, being unringfenced or is new funding for the SR10 period.”

3.5 Grants Rolling into Formula Grant

Around £4bn of funds (a breakdown is provided in Annex A) will be moved into Formula Grant and is included in the DCLG Local Government Resource DEL (i.e. those in the table above). The 10/11 figure in the table above has been adjusted for these grants to provide a like-for-like comparator.

3.6 The following table is taken from the Spending Review and shows figures for the LG Resource DEL in cash terms.

<table>
<thead>
<tr>
<th>DCLG LG Resource DEL</th>
<th>10/11 Baseline</th>
<th>11/12 Annual Change</th>
<th>12/13 Annual Change</th>
<th>13/14 Annual Change</th>
<th>14/15 Annual Change</th>
<th>SR2010 Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£bn</td>
<td>£bn</td>
<td>%</td>
<td>£bn</td>
<td>%</td>
<td>£bn</td>
</tr>
<tr>
<td>Resource DEL</td>
<td>28.5</td>
<td>26.1</td>
<td>-8.4%</td>
<td>24.4</td>
<td>-6.5%</td>
<td>24.2</td>
</tr>
<tr>
<td>of which Funding for Formula Grant</td>
<td>28</td>
<td>25</td>
<td>-10.7%</td>
<td>23.4</td>
<td>-6.4%</td>
<td>23.2</td>
</tr>
<tr>
<td>of which Council Tax Freeze</td>
<td>0</td>
<td>0.7</td>
<td>n/a</td>
<td>0.7</td>
<td>0.0%</td>
<td>0.7</td>
</tr>
<tr>
<td>of which Other</td>
<td>0.5</td>
<td>0.5</td>
<td>0.0%</td>
<td>0.4</td>
<td>-20.0%</td>
<td>0.4</td>
</tr>
</tbody>
</table>

NB Local Government DEL includes funding for police and fire authorities. Excluding these contributions LG DEL for councils will fall by 28%

3.7 Grants will be rolled into Formula Grant at various points over the Spending Review period. Consequently some grants remain separate amounts for the earlier years. According to a DCLG press release, ‘the Government’s general intention is that grants rolled into Formula Grant will initially do so in a way which broadly reflects the existing distribution of the grant’.

3.8 Grants that are being rolled into Formula Grant are listed by Department below. However, those grants that will be included part way through the Spending Review period are highlighted in Bold.

DCLG: Supporting People, Housing Strategy for Older People, Race Equality, Economic Assessment Duty, **Open Source Planning Fire**
Department for Transport (DfT), Concessionary Fares, Other Transport Revenue
Defra: Animal Health Enforcement
Department for Education (DfE): Total (includes LSC Staff Transfer, Service for Children in Care and Child Death Review Processes)
Department of Health (DH): AIDS Support, Preserved Rights

On-Going Personal Social Services grants (PSS) (previously formed from Mental Health, Child and Adolescent Mental Health Services, Learning Disability Development Fund, Mental Capacity Act and Independent Mental Capacity Advocate Service, Carers, Adult Social Care Workforce, LINKs)

Recycled PSS including Safeguarding and Autism (previously formed from Social Care Reform, Learning Disability Campus Closure Programme and Stroke Strategy)

New PSS Funding

3.9 The Fire Funding Grant will replace four previous fire grants from 2011/12. It will then be rolled into Formula Grant from 2013/14. The Open Source Planning Grant will also be rolled into Formula Grant from 2013/14.

2011/12 and 2012/13 totals for both grants can be found in the table below.

<table>
<thead>
<tr>
<th>DCLG Revenue Grants to LG</th>
<th>Baseline</th>
<th>2011/12</th>
<th>Annual Change %</th>
<th>2012/13</th>
<th>Annual Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Source Planning</td>
<td>£4.35</td>
<td>£5.00</td>
<td>14.9%</td>
<td>£10.00</td>
<td>100.0%</td>
</tr>
<tr>
<td>Fire</td>
<td>£36.00</td>
<td>£71.58</td>
<td>98.8%</td>
<td>£59.57</td>
<td>-16.8%</td>
</tr>
</tbody>
</table>

3.10 Other Core DCLG Revenue Grants

Mr Pickles announced local authorities would have greater control over more funding and also a reduction in core revenue grants from 90 to less than 10. The 9 core grants will be:

- Early Intervention Grant – worth £2bn
- Public Health Grant - from 2013/14 (ringfenced)
- Learning Disabilities
- New Homes Bonus – worth £196m in 11/12 and £250m annually in 12/13-14/15
- Council Tax Freeze Grant – worth £700m each year in 11/12-14/15
- Housing Benefit and Council Tax Benefit Administration Grant
- PFI Grant
- Dedicated Schools Grant (ringfenced)
- Preventing Homelessness - Baseline £70.97m, £90m in 11/12 and 12/13, £89.3m in 13/14 and £88m in 14/15. This includes funding for Housing Management
3.11 There are a number of small revenue grants paid to a single authority or not very many authorities, for a specific purpose (e.g. Isle of Scilly Waste Grant from Defra, or a grant from DfT to the Tyne & Wear Passenger Transport Executive), which have not been captured here, as none are thought to affect Wiltshire Council.

Grants like Dedicated Schools Grant and the new Early Intervention Grant will absorb some previous specific grants and/or ABG. All other ABG grants will no longer be paid.

4. Other Headlines Announcements and their Detail

Formula Grant

4.1 An additional £1bn for Personal Social Services (PSS) will be included in Formula Grant by 2014/15, starting in 2011/12 with £0.5bn.

Council Tax Freeze Grant

4.2 Authorities, which choose to freeze Council Tax in 2011/12, will 'have the resultant loss to their taxbase funded at a rate of 2.5% in each year of the Spending Review period.' 'The new grant scheme will be open to all billing and major precepting authorities, including police and fire authorities, which decide to freeze or reduce their council tax in 2011/12. If authorities do, they will receive additional funding in 2011/12, equivalent to raising their 2010/11 council tax by 2.5%.' The SR report tables show this will cost DCLG £700m in each of the four years. Given Wiltshire's expression to freeze Council Tax at 2010/11 levels for 2011/12 the Council will apply for this grant. This is estimated to be worth £5.4m to Wiltshire. There is some confusion over what impact an increase in Council Tax bills due to precept rises from Police, Fire or Parishes and whether this would reduce the Council Tax freeze grant entitlement.

Education

4.3 The schools budget for 5 to 16 year olds will increase by 0.1% in real terms each year of the Spending Review period. This includes £2.5bn of funding for the new pupil premium. Arrangements for Pupil Premium Grant are to be determined.

4.4 £15.8bn of capital funding will be made available for schools over the Spending Review period. The Government will rebuild or refurbish over 600 schools from the Building Schools for the Future (BSF) and Academies programme. No details of where or how this money will be allocated have been released.
Social Care

4.5 As mentioned above, £1bn will be put into Formula Grant for Personal Social Services, meaning total funding for social care, including rolled-in grants, will be £2.4bn a year by 2014/15.

4.6 In addition, £1bn of funding will be provided through the NHS budget to support joint working between the NHS and councils in the provision of social care.

Transport

4.7 Bus Operators’ Subsidy will be reduced by 20%, saving over £300m by 2014/15. Although statutory concessionary travel entitlements will remain.

4.8 Revenue grants to local authorities from DfT will be reduced by 28%. Moving from 26 grant streams to the following 4 from 2011/12:
   1. major schemes (capital)
   2. block funding for highways maintenance (capital); and
   3. block funding for small transport improvement schemes (capital).
   4. Local Sustainable Transport Fund (capital and revenue) - £560m bid-based fund to support packages of transport interventions that support economic growth and reduce carbon emissions.

Fire and Rescue Services

4.9 Formula Grant funding for fire and rescue services will decrease by 25% over the period, weighted to the third and fourth year of the period.

Housing

4.10 The ‘New Homes Bonus’ will be introduced to incentivise councils to grant planning permission for the construction of new homes, by matching Council Tax receipts for each new home built for a number of years. It is envisaged this will fund c.150,000 new homes but it is unclear if this will affect Wiltshire.

4.11 The council housing finance system will be reformed to give councils more freedom. This is not likely to be in place until 2012/13 at the earliest.

Economic Growth

4.12 The Regional Growth Fund is a £1.4bn bid-based revenue and capital fund over 2011/12, 2012/13 and 2013/14. A panel will assess funding bids from Local Enterprise Partnerships as well as the private sector.
4.13 A White Paper will be published later in the year with more details on incentives for encouraging growth in local areas. This will also contain more details about the introduction of Tax Increment Financing announced last month, whereby authorities can borrow against NNDR collected from new business areas.

**Council Tax Benefit**

4.14 From 2013/14 Council Tax Benefit (CTB) will be localised and the Government also plans to reduce spending on CTB by 10%.

4.15 Government will consider measures to give authorities more flexibility 'to manage pressures on council tax', to be implemented from the same date but no further details are known.

**Local Authority Borrowing**

4.16 Interest rates on loans from the PWLB have been increased to 1% above the rate for British Government gilts, previously the rate tracked gilts. The Treasury estimate this increased cost will lead to a reduction of 17% in self-financed expenditure by councils over the Spending Review period.

**Internal Restructuring**

4.17 In 2011/12 a £200m capitalisation fund will be available for capitalisation to support authorities wishing to deliver savings through internal restructuring. Wiltshire has put a bid into this fund (25/10/10).

**Public Sector Pensions**

4.18 The state retirement age for both men and women will reach 66 in 2020, four years earlier than planned.

4.19 Employee contributions to public sector-pensions scheme will be increased although details of by how much will not be known until April 2011. However, they will remain as 'defined-benefit' schemes. A consultation will be launched on a 'Fair Deal' system, recommended by Lord Hutton.

**Carbon Reduction Commitment Energy Efficiency Scheme**

4.20 The CRC Energy Efficiency Scheme, formerly the Carbon Reduction Commitment, started in April 2010 and is a mandatory climate change and energy efficiency scheme whereby organisations purchase allowances equal to their annual carbon emissions. The money raised through these allowances is then recycled back into the system in the form of rewards to organisations who reduce their emissions, thereby providing a self-financing financial incentive to reduce energy use.
4.21 However, the Spending Review states that: “Revenues from allowance sales totalling £1bn a year by 2014/15 will be used to support the public finances, including spending on the environment, rather than recycled to participants”. The scheme was due to begin taking the first allowance payments in April 2011, with the pay-back scheme due to start in October 2011. As announced in the Spending Review, the first allowance sales for 2011/12 are now due to start in 2012, instead of 2011, in order to reduce the burden on organisations.
## Annex A

<table>
<thead>
<tr>
<th>Grants Going into Formula Grant</th>
<th>Baseline</th>
<th>11/12 £m</th>
<th>12/13 £m</th>
<th>13/14 £m</th>
<th>14/15 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting People</td>
<td>1,636.00</td>
<td>1,625.00</td>
<td>1,620.00</td>
<td>1,620.00</td>
<td>1,590.21</td>
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<tr>
<td>Housing Strategy for Older People</td>
<td>20.00</td>
<td>15.50</td>
<td>13.50</td>
<td>11.50</td>
<td>10.50</td>
</tr>
<tr>
<td>Race Equality</td>
<td>0.17</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
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<tr>
<td>Economic Assessment Duty</td>
<td>11.03</td>
<td>1.50</td>
<td>1.50</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Open Source Planning</td>
<td></td>
<td></td>
<td></td>
<td>15.00</td>
<td>20.00</td>
</tr>
<tr>
<td>Fire</td>
<td></td>
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<td></td>
<td>49.82</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50.28</td>
</tr>
<tr>
<td>Concessionary Travel</td>
<td>223.00</td>
<td>224.00</td>
<td>204.00</td>
<td>208.00</td>
<td>212.00</td>
</tr>
<tr>
<td>Other Transport Revenue</td>
<td>112.00</td>
<td>79.00</td>
<td>72.00</td>
<td>80.00</td>
<td>83.00</td>
</tr>
<tr>
<td>Animal Health Enforcement</td>
<td>8.50</td>
<td>4.80</td>
<td>4.00</td>
<td>3.20</td>
<td>2.40</td>
</tr>
<tr>
<td>LSC Staff transfer, Services for Children in Care &amp; Child Death Review Processes</td>
<td>114.05</td>
<td>109.34</td>
<td>83.17</td>
<td>70.51</td>
<td>66.34</td>
</tr>
<tr>
<td>AIDS Support</td>
<td>25.50</td>
<td>27.70</td>
<td>30.30</td>
<td>33.10</td>
<td>36.20</td>
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<tr>
<td>Preserved Rights</td>
<td>235.40</td>
<td>228.84</td>
<td>221.68</td>
<td>215.11</td>
<td>209.80</td>
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<tr>
<td>On-Going PSS</td>
<td>752.34</td>
<td>767.02</td>
<td>784.43</td>
<td>804.98</td>
<td>826.31</td>
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<td>Recycled PSS inc. safeguarding &amp; autism</td>
<td>303.00</td>
<td>318.15</td>
<td>335.75</td>
<td>354.91</td>
<td>373.11</td>
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<td>New PSS Funding</td>
<td>530.00</td>
<td>930.00</td>
<td>1,000.00</td>
<td>1,000.00</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3,440.99</strong></td>
<td><strong>3,930.88</strong></td>
<td><strong>4,300.36</strong></td>
<td><strong>4,469.16</strong></td>
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