

SPENDING REVIEW 2010

Headline Changes

The following key points have been extracted from the Government's Spending Review 2010, but they are by no means exhaustive.

REVENUE

- The Spending Review settlement indicates that general funding to councils (provided through formula grant) will fall from £28BN in 2010/11 to £21.9BN in 2014/15. This represents a reduction of £6.1BN or 22%. It allows for extra funding going into areas such as social services. Reductions to local authorities including district councils are front-loaded. Fire authority reductions are expected to be greater from 2013/14 onwards.
- There will be devolution of financial control to councils, by removing ringfencing from revenue grants and transferring many into formula grant. It is understood that Benefits Administration and Preventing Homelessness Grants will continue as separate grants, but they will not be ring-fenced.
- There will be additional funding in all four years of the Spending Review to enable local authorities to freeze their council tax in 2011/12.
- The Government will reduce spending on Council Tax Benefit by 10 per cent and localise it from 2013/14. In addition, the Government will consider providing greater flexibilities to local authorities to manage pressures on council tax from the same date.
- The Government acknowledges that many local authorities will have to restructure their workforce to live within this settlement, therefore it will make available £200 million of capitalisation in 2011-12, to help support local authorities that undertake organisational restructuring.

CAPITAL

- Prudential borrowing will be retained, however the Government forecasts that total capital expenditure by local authorities will fall by 30 per cent by 2014/15.
- Interest rates on Public Works Loan Board (PWLB) loans have been increased to 1 per cent above UK government gilts, on the basis that this will better reflect the availability of capital funding.
- The amount of (council) self-financed capital expenditure is forecast to fall by 17 per cent over the four years.
- Capital funding from all departments to councils will fall by around 45 per cent over the Spending Review period. The Government will prioritise capital investment on areas of greatest economic value, such as high value local transport. Further detail on Tax Increment Financing and the future incentives and planning powers open to local authorities to support growth will be provided in a White Paper on local growth later this year.

HOUSING

- The council housing finance system will be reformed with the aim that local authorities have greater control over their own finances, and can reinvest to meet local housing need.
- Disabled Facilities Grants will rise by inflation annually, also reform of the council housing finance system will build in resources needed to carry out future disabled housing adaptations required in council housing stock.
- Social landlords will be able to offer a growing proportion of new social tenants new intermediate rental contracts that are more flexible, at rent levels between current market and social rents. The terms of existing social tenancies will not be affected by these proposals.
- Further details of the Government's new affordable housing programme and associated reform programme will also be published in November. This should include details of the New Homes Bonus.