



## Japan Local Government Centre, London

### Monthly Report for October 2010 (UK) – Spending Review 2010

#### **Background**

The UK's Spending Review by HM Treasury, led by the Chancellor of the Exchequer, represents the government's statement on the shape of its finances and future spending needs. They have been undertaken (as Comprehensive Spending Reviews or CSR) within their current three yearly cycle since 1998, with reviews in 2001, 2004 and 2007 setting departmental spending plans aligned to government priorities. In 2007 the CSR was combined with the Pre-Budget Report (PBR) for that year. From 2010 it has been announced that the Treasury will no longer publish a PBR in the format of the last government and will instead issue a formal response from the Chancellor to the newly-created Office for Budget Responsibility's autumn economic forecast statement.

#### **Reviews**

In the run up to the Spending Review announcement on October 20, the coalition government announced a number of reviews into areas of government activity aimed at influencing the outcomes of the Spending Review.

##### *Public Bodies*

A review of HM Government's Non-Departmental Public Bodies (NDPBs), as well as other bodies (such as some public corporations), was undertaken by Minister for the Cabinet Office Francis Maude and reported in October. It proposed to reform 481 of these bodies, of which 192 will cease to be public bodies and their functions will either be brought back into government departments, devolved to local government, moved out of government or abolished altogether. It will also merge 118 bodies down to 57, and substantially reform a further 171. 380 bodies will be retained in their current form while 40 remain under review. Of the 901 bodies before the review, 648 will operate in future.

The review reconfirmed the abolition of the Regional Development Agencies, Audit Commission, Firebuy, Infrastructure Planning Commission, as well as the Advisory Panel for the Local Innovation Awards Scheme, London Thames Gateway Development Corporation, National Housing and Planning Advice Unit, National Tenant Voice, Standards Board for England, Tenant Services Authority (regulatory functions to be passed to the retained Homes and Communities Agency), Museums Libraries and Archives Council, Advisory Council on Libraries, Commission for Rural Communities and the Commission for Integrated Transport.

*Any opinions expressed in this report are solely those of the author and do not necessarily represent those of JLGCC or CLAIR.*

The future of the Local Better Regulation Office, Office of the Children's Commissioner, Young People's Learning Agency and Partnerships for Schools remains under review. Separately it was announced by the Department for Culture, Media and Sport that it intends to withdraw its funding from the Commission for Architecture and the Built Environment (Cabe), effectively abolishing the organisation in its current form, which also remains under review.

The reforms will be carried out under the Public Bodies Bill or in some cases under the proposed Education and Localism Bills.

#### *Independent Public Service Pensions Commission*

Former Labour cabinet minister Lord John Hutton published his interim report on the future of public sector pensions on behalf of the Treasury in October. It argued that longer lives, the unfairness of a system that rewards high-flyers disproportionately, the imbalance of risk between taxpayers and employees and contribution rates that do not reflect the value of benefits received all demonstrate the need for reform. He will produce a final report in time for Budget 2011 which will recommend a future basis for public sector pension contributions and management.

#### *Efficiency*

Businessman Sir Philip Green led a review into government procurement of goods and services like IT, travel, print and office supplies, and the management of the government's property portfolio. For the review, Sir Philip and his team were given access to departments' resource accounts and information on government contracts and leases. Their work has revealed the poor quality of much of the data relating to where and how government spends its money. In addition, a lack of a centralised approach to buying goods and services has allowed departments to pay hugely different prices for the same items. Sir Philip Green was asked to lead the Efficiency Review into government spending by the Prime Minister. The Minister for the Cabinet Office, Francis Maude and the Chief Secretary to the Treasury, Danny Alexander, oversaw the work of the review, which was supported by a small team of Civil Service officials and a team from Sir Philip's Arcadia Group.

In addition, the Cabinet Office's Efficiency and Reform Group led by Francis Maude has made a number of efficiency savings from government activity, these include:

- in addition to tight new controls to ensure all new contracts worth more than £1million are approved centrally, over 300 ICT projects have been reviewed and work is underway with departments to stop or de-scope contracts worth £1billion
- a moratorium has been introduced to stop departments buying new space or renewing existing leases; So far 20 buildings have already been vacated, saving £18 million in rent this year alone.
- following the introduction of the recruitment freeze, there has been an estimated 75% reduction in the recruitment of permanent staff compared to the same period last year; and

*Any opinions expressed in this report are solely those of the author and do not necessarily represent those of JLG or CLAIR.*

- action has been taken to reduce the use of temporary, agency and interim staff. Latest figures show the total number has already fallen by an estimated 30%.
- £27 million has been saved compared to last year in the period from June to August, following the introduction of a freeze on all new non-essential marketing and advertising spend
- total spend across Whitehall has been reduced by more than £100 million compared to the same period last year following the introduction of new rules stating that any spend over £20,000 needs Ministerial and Permanent Secretary approval; and
- work has progressed quickly to renegotiate contracts with the Government's key suppliers. When completed, this process is expected to deliver more than £800m in savings this year.

### *Policing*

The Home Office published its *Policing in the 21<sup>st</sup> Century* consultation in July, which included the government's plans for elected police commissioners to replace police authorities and the creation of a National Crime Agency to replace the National Police Improvement Agency, the Serious and Organised Crime Agency and the Child Exploitation and Online Protection Centre.

### *Health and Safety*

Former cabinet minister (1984-89) Lord Young of Graffham, the Prime Minister's Adviser on Health and Safety Law and Practice, published his Cabinet Office report *Common Sense, Common Safety* in October. Among his recommendations were:

- officials who ban events on health and safety grounds should put their reasons in writing
- enable citizens to have a route for redress where they want to challenge local officials' decisions. Local authorities will conduct an internal review of all refusals on the grounds of health and safety.
- citizens should be able to refer unfair decisions to the Ombudsman, and a fast track process should be implemented to ensure that decisions can be overturned within two weeks. If appropriate, the Ombudsman may award damages where it is not possible to reinstate an event. If the Ombudsman's role requires further strengthening, then legislation should be considered.
- combine food safety and health and safety inspectors in local authorities
- make mandatory local authority participation in the Food Standards Agency's Food Hygiene Rating Scheme, where businesses serving or selling food to the public will be given a rating of 0 to 5 which will be published in an online database in an open and standardised way
- open the delivery of inspections to accredited certification bodies, reducing the burden on local authorities and allowing them to target resources at high risk businesses

*Any opinions expressed in this report are solely those of the author and do not necessarily represent those of JLG or CLAIR.*

- police officers and firefighters should not be at risk of investigation or prosecution under health and safety legislation when engaged in the course of their duties if they have put themselves at risk as a result of committing a heroic act. The HSE, Association of Chief Police Officers and Crown Prosecution Service should consider further guidance to put this into effect.
- simplify the process that schools and similar organisations undertake before taking children on trips
- introduce a single consent form that covers all activities a child may undertake during his or her time at a school
- introduce a simplified risk assessment for classrooms

#### *Higher Education Funding and Student Finance*

An independent review led by former BP chairman Lord Browne on behalf of the Department for Business, Innovation and Skills reported in October. The key recommendations of Browne's review are that the current cap on fees (£3,290 per year) be lifted to enable universities to charge whatever they like, but that graduates only begin to repay their fees after they gain employment at £21,000 a year (compared to £15,000 under the current system), linked to earnings and ability to pay. Maintenance loans of £3,750 per year will no longer be means tested and children from families with household incomes of less than £60,000 will be entitled to up to £3,250 in local authority support grants. The government later announced that it would raise the cap to £9,000 from 2012 in response to the report.

#### **Spending Review 2010**

The Chancellor George Osborne announced the following measures on October 20 in relation to finance for local authorities during the 2011-2015 spending period:

- real terms reductions of 28% in local authority budgets over the next four years
- the fall in grant is more than 7% a year in real terms, and significantly front-loaded
- the schools budget will increase by 0.1% in real terms each year
- there is new social care funding of £530m in 2011-12, rising to £1bn in 2013-14, and a further £1bn of additional funding through the NHS budget to support joint working between the NHS and councils
- local authority capital funding is cut by the equivalent of 45% over the period, compared with 29% over the whole of the public sector. Interest rates for Public Works Loan Board borrowing have been increased by 1% with immediate effect.
- 16 pilot areas have been nominated to operate a form of pooled Community Budgets (a more limited version of the former 'Total Place') from April 2011, with the intention that all areas can take this approach from 2013
- grants totalling £7bn have been freed up or unringfenced from 2011-12

*Any opinions expressed in this report are solely those of the author and do not necessarily represent those of JLG or CLAIR.*

- £700m has been set aside to allow councils to set a zero council tax increase for 2011-12, and for councils taking up this offer, the funding will be built into grants for the next four years

Other measures include:

- the introduction of Tax Increment Finance powers, allowing councils to fund key projects by borrowing against future increases in locally collected business rates.
- abolition of Education Maintenance Allowance for children of 16-19 who stay in full time education
- An increase in the state pension age from 65 to 66 from 2020, earlier than planned
- confirmation that the Crossrail scheme will proceed, as will planned road and rail expansion
- no change to the Barnett Formula for calculating spending outside of England

*Any opinions expressed in this report are solely those of the author and do not necessarily represent those of JLGc or CLAIR.*