



The Rt Hon Eric Pickles MP

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Leaders of Local Authorities in England

Dear colleagues,

LOCAL GOVERNMENT AND THE SPENDING REVIEW

The Coalition Government's Spending Review set out today provides a fair though challenging settlement for local government. It reflects the clear priorities for the Spending Review as a whole: to bring down the massive budget deficit and drive economic growth, while protecting the interests of hardworking families and the most vulnerable in society.

The review also provides significant new powers for local government. Councils have long argued that with more freedom and flexibility, they would be much better equipped to become more efficient and effective in delivering local public services. This settlement delivers that freedom and flexibility, as part of the new Government's decentralisation agenda.

Councils will face an average loss of grant of 7.25%, in real terms, in each of the next four years. However, this will be accompanied by new financial freedoms and flexibility.

Local flexibility on local spending

Today's settlement:

- tackles the principal pressure on social services by providing an additional £2 billion to support adult social care by 2014-15;
- commits £6.5 billion to affordable housing and Decent Homes over four years;
- offers help to the vulnerable with £6.5 billion to Supporting People over the Spending Review period;
- offers more flexibility to councils by ending ring-fencing of all revenue grants from next year, except for simplified school grants and the new public health grant which will be introduced in 2013. In total, local authorities will have greater control over more than £7 billion of funding from 2011-12 which is moving into formula grant, being unringfenced or is new funding for the SR10 period;
- protects council tax payers by offering, in partnership with local authorities, a council tax freeze;

- shifts many other budgets – including budgets for GPs and Police and Crime Commissioners – to the local level, so that you can pool and prioritise this money more effectively;
- sets out plans to implement the first phase of 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; and,
- radically reforms the Housing Revenue Account, so that you will have much greater ability to run your own affairs, provides over £2 billion on Decent Homes in total over four years and enables councils who own housing to improve the decency of tenants' homes with enough money to more than halve the backlog by 2015.

Savings on local red tape

These new powers come on the back of radical reductions in the bureaucratic reporting and inspection requirements which hold councils back.

We are already abolishing the Audit Commission, have ended Comprehensive Area Assessment, scrapped 4,700 Whitehall (LAA) targets, are dismantling the National Indicator Set and are ready to scale back significantly the plethora of data reporting requirements which cost you time and money - the LGA estimate that complying with government data demands and inspection costs local authorities nearly £300 million.

Local growth

We are replacing the Regional Development Agencies with local enterprise partnerships, which put councils and civic leaders in the driving seat. We are also introducing a Regional Growth Fund (worth £1.4 billion) to create jobs and growth in places currently heavily dependent on the public sector - this could include support for activities such as housing growth and market renewal.

The New Homes Bonus will reward communities that build houses - planning permissions granted now will count against the Bonus.

We have already confirmed that councils will be able to borrow against future growth in Business Rates to fund infrastructure projects. And the Localism Bill will go even further in giving councils control over the issues which matter to local people, including providing councils with the general power of competence they have long called for.

Local savings

This unprecedented shift in power means that you will be well placed to tackle the inevitable challenges ahead. Overall, revenue funding from Government will reduce by 26% in real terms between 2010-11 and 2014-15 – excluding schools, fire and police. That means, on average, a reduction of 7.25% a year.

The reduction in formula grant funding for fire and rescue authorities will be 25% over the period. 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.

But since councils (including fire and rescue authorities) also raise revenue from other sources, the actual reduction in overall council spending will be much lower. There is a clear expectation that councils will use this new autonomy to protect key frontline services.

Local finance reform which protects the vulnerable

To help you do this, we are:

- funding the council tax freeze: if you choose to freeze council tax in 2011-12, we will fund the equivalent of a 2.5% increase in council tax that year for the Spending Review period;
- providing £1 billion of additional funding through the NHS budget to break down the barriers between health and social care, and rolling over £2.4 billion of adult social care grants - including an additional £1 billion by 2014-15 - into formula grant;
- investing £4.5 billion in affordable housing over the next four years. As part of this, we intend to provide £200 million over four years to the Mortgage Rescue Scheme and £100 million for Empty Homes. We will also provide an extra £2 billion for the Decent Homes programme;
- protecting investment in Homelessness Grant, which will remain at current levels;
- protecting the Disabled Facilities Grant, while removing the ring fence to ensure councils can make their own choices about making the most of this money;
- guaranteeing a £200 million capitalisation fund in 2011-12 to support those of you that wish to deliver efficiency savings early through internal restructuring; and
- committing £6.5 billion to Supporting People over the next four years, and giving councils more flexibility to deploy it in line with local needs.

As part of our broader reforms to the welfare system, together we will secure savings in Council Tax Benefit spending and provide a localised approach to the benefit from 2013-14. This will let councils gain from reductions in the cost of Council Tax Benefit in the future, with more detail set out later in the year. The Government wants Welfare Reform to help people who can work get back into work. It is not the Government's intention to interfere with pensioners' entitlements, rather to give councils greater freedom and flexibility.

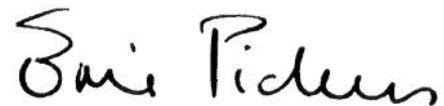
Local innovation

But at the same time, the onus is very much on councils themselves to make the most of this unprecedented freedom and flexibility to focus all efforts and resources on protecting hardworking families, vulnerable people, and frontline services. That must mean:

- fundamentally re-examining every aspect of the way that councils work;
- eliminating all traces of waste by becoming more transparent and improving procurement practice;
- maximising efficiency and productivity, drawing on the lessons of the LGA-led productivity programme;
- sharing departments, officers and back office services between different local authorities; and
- bringing excessive senior pay under control.

The emphasis must be on creativity and innovation. Councils must really put every aspect of service delivery under the microscope, focusing on early intervention and drawing on the significant expertise, reach and resources in the voluntary and community sector.

I have every confidence that, with these new powers, councils who tackle the issues head on will be able to meet the expectations of local residents by protecting frontline services, hardworking families and the most vulnerable.

A handwritten signature in black ink that reads "Eric Pickles". The signature is written in a cursive, flowing style.

THE RT HON ERIC PICKLES MP

GRANTS ROLLING INTO FORMULA GRANT

£ million	Baseline	2011-12	2012-13	2013-14	2014-15
<u>Communities and Local Government</u>					
Supporting People	1,636.00	1,625.00	1,620.00	1,620.00	1,590.21
Housing Strategy for Older People	20.00	15.50	13.50	11.50	10.50
Race Equality	0.17	0.03	0.03	0.03	0.03
Economic Assessment Duty	11.03	1.50	1.50	3.00	3.00
Open Source Planning	-	-	-	15.00	20.00
Fire	-	-	-	49.82	50.28
<u>Department for Transport</u>					
Concessionary Travel	223.00	224.00	204.00	208.00	212.00
Other Transport Revenue	112.00	79.00	72.00	80.00	83.00
<u>Department for Environment, Food and Rural Affairs</u>					
Animal Health Enforcement	8.50	4.80	4.00	3.20	2.40
<u>Department for Education</u>					
Total	114.05	109.34	83.17	70.51	66.34
Previously formed from:					
<i>LSC Staff Transfer</i>	<i>51.47</i>	<i>47.44</i>	<i>43.17</i>	<i>38.91</i>	<i>34.64</i>
<i>Services for Children in Care</i>	<i>54.88</i>	<i>58.40</i>	<i>36.50</i>	<i>28.10</i>	<i>28.20</i>
<i>Child Death Review Processes</i>	<i>7.70</i>	<i>3.50</i>	<i>3.50</i>	<i>3.50</i>	<i>3.50</i>
<u>Department of Health</u>					
AIDS Support	25.50	27.70	30.30	33.10	36.20
Preserved Rights	235.40	228.84	221.68	215.11	209.80
On-going Personal Social Services	752.34	767.02	784.43	804.98	826.31
Previously formed from:					
<i>Mental Health</i>	-	-	-	-	-
<i>Child and Adolescent Mental Health Services</i>	-	-	-	-	-
<i>Learning Disability Development Fund</i>	-	-	-	-	-
<i>Mental Capacity Act and Independent Mental Capacity Advocate Service</i>	-	-	-	-	-
<i>Carers</i>	-	-	-	-	-
<i>Adult Social Care Workforce</i>	-	-	-	-	-
<i>LINKs</i>	-	-	-	-	-

£ million	Baseline	2011-12	2012-13	2013-14	2014-15
Re-cycled Personal Social Services (inc. safeguarding and autism)	303.00	318.15	335.75	354.91	373.11
Previously formed from:					
<i>Social Care Reform</i>	-	-	-	-	-
<i>Learning Disability Campus Closure Programme</i>	-	-	-	-	-
<i>Stroke Strategy</i>	-	-	-	-	-
New Personal Social Services Funding	New	530.00	930.00	1,000.00	1,000.00
TOTAL	3,440.99	3,930.87	4,300.36	4,469.16	4,483.18

OTHER CORE REVENUE GRANTS

- Early Intervention Grant
- Public Health Grant (from 2013-14)
- Learning Disabilities
- New Homes Bonus
- Council Tax Freeze Grant
- Housing Benefit and Council Tax Benefit Administration Grant
- PFI Grant
- Dedicated Schools Grant
- Preventing Homelessness

Local authorities will also be able to bid for the £1.4 billion Regional Growth Fund which will provide a mix of revenue and capital funding over 2011-12, 2012-13 and 2013-14. Further information will be published shortly. Arrangements for Pupil Premium Grant are to be determined.

FULL DETAILS OF CLG'S GRANTS TO LOCAL GOVERNMENT

Revenue Grants to Local Government	Baseline	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m	£m
Open Source Planning	4.35	5.00	10.00	0.00	0.00
Fire	36.00	71.58	59.57	0.00	0.00

Preventing Homelessness	70.97	90.00	90.00	89.30	88.00
New Homes Bonus	0.00	196.00	250.00	250.00	250.00
Total	111.32	362.58	409.57	339.30	338.00

Note: The fire funding grant will replace 4 previous fire grants from 2011-12; and the Preventing Homelessness line includes funding for Housing Management.

Capital Grants to Local Government	Baseline	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m	£m
Local Authority Social Housing Grant	212.10	65.00	0.00	0.00	0.00
Disabled Facilities Grant	168.80	180.00	180.00	180.00	185.00
Decent Homes ALMOs	625.41	260.00	352.00	389.00	594.00
Fire Capital Grant	70.82	70.00	70.00	70.00	70.00
Total	1077.14	575.00	602.00	639.00	849.00