

Comprehensive Spending Review 2007

9 October 2007

LGA response to CSR 2007

Government delivers worst financial settlement for councils in a decade, but LGA wins battle for reduction of performance indicators.

What are the difficulties presented by the CSR for councils?

- The **1% real terms** funding increase for councils will not enable councils to deliver the new services promised by government, or meet the cost of providing services to increasing numbers of older people and meeting the increasing cost of waste management.
- Councils will be left with no choice but to raise **council taxes** by more than inflation in order to meet the cost of providing these services.
- While the proposed powers on the **Supplementary Business Rate (SBR)** rate are helpful, it is disappointing that this is restricted by the 2p in the pound limit compared to Lyons' proposal of 4p, which the LGA supported.
- The reduction in **Local Authority Business Growth Initiative (LABGI)** funding – from £1bn over SR04 to £150m over CSR07 – will have a significant impact on local authorities, and in particular district councils and London Boroughs who will not in future have the power to raise SBR.

What are the good news stories in the CSR for councils as a result of LGA lobbying?

- Councils will benefit from **additional flexibility** provided by the removal of specific grants and ring-fenced funding. We will comment on this further when the detail of this funding emerges in December.
- The reduction in the number of **indicators** to less than 200 and the announcement that no mandatory LAA targets will be imposed are positive steps in reducing the burdens placed on councils.
- **£150m** to support local authorities in delivering efficiency savings.

Next steps

- The LGA awaits details of the specific grants to be awarded following the spending review, and will be analysing the implications for councils once this information is available. In the meantime, we will be working with MPs and lobbying government departments to ensure that local government receives a fair share of the funding increases awarded in the CSR.

Further information

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briefing

Key announcements for councils in CSR

- An increase in Aggregate External Finance (AEF) Revenue Support Grant (RSG) + National Non Domestic Rates (NDR) funding of 4.2% in 2008-09; 3.5% in 2009-10 and 3.4% in 2010-11. This amounts to **real terms increases** of 1.5%, 0.8% and 0.7% over the CSR period.
- The Government expects that this will enable local authorities to keep **council tax** increases well below 5% in each of the next three years.
- At least £5 billion of former specific grant and Local Area Agreement (LAA) ring-fenced grant will be delivered in the form of general grants which are **not ring-fenced** (RSG and Area-Based Grant).
- By 2010/11, £900 million previously paid through specific grants will have been rolled into RSG, and at least £4.1 billion of grants will be paid through Area Based Grant.
- The settlement announces **LABGI** funding of £50m for for 2009-10 and £100m in 2010-11, with no funding outlined for 2008-09.
- The Government is consulting on the technical detail of a new power to allow councils to implement a SBR from 2010-11.
- A 3% cashable efficiencies target (£4.9bn over CSR), with councils supported by funding of £150m and the continuation of the capacity building grant.
- A **single set of priority outcomes** for local government working alone or in partnership, a **single set of 198 national indicators**, and there will be **no mandatory targets for LAA**. Any and all targets reflecting national priorities – to a maximum of 35 – will be negotiated through LAAs.

Adult social care

On social care, the government announced that funding for local authorities will be £2.6bn higher by 2010-11 than in 2007-08, an annual average growth of 1% in real terms. Direct funding of social care is due to increase by £190m, to £1.5bn by 2010-11. This funding will be used to support:

- Increased personalisation of care, including individual budgets.
- Continued investment in prevention, including expanding the Partnerships for Older People's Projects.
- Phasing out of NHS residential accommodation for people with learning disabilities, with individuals being supported in future to live independently in their own homes in communities.
- The Access and Systems Capacity and Delayed Discharges grants will be rolled into RSG by 2010-11.

The Government also announced that it would be consulting on reform of the public support and care system.

Our view:

- If councils are to provide current levels of social care to increasing numbers of older people over the next three years, an average 1% real terms funding increase is not sufficient.
- The LGA's figures show that the additional cost of managing an ageing population over the CSR period will be £2.682bn, equal to the full funding increase provided to local authorities. Therefore, it would leave no additional funding for other council services. The inevitable consequence is that council tax payers will have to foot the bill, alongside cuts to current levels of service. In short, the government has not provided a fair deal to older people.
- We agree that there is a need to look at the whole system of support and care, but emphasise the need for immediate funding to support older people now.

Children's Services

- The settlement for the old DfES was announced at the time of the spring Budget. The CSR provides some further increases but does not go into detail.
- The CSR states that total education spending will rise on average by 2.8 per cent a year in real terms between 2007-08 and 2010-11, from £77bn in 2007/08 to £92bn in 2010/11, but provides no details of how this will be allocated.
- The schools funding settlement from DCSF, which will give details of proposed schools grants to authorities for the three CSR years is expected at the end of October or the beginning of November. We expect many Children's Services grants to be announced at the same time. An additional £250m in total over the CSR period to be devoted to personalised learning was announced yesterday.
- The totals for schools' capital for 2008/11 were announced by schools minister Jim Knight on Monday 8th October, as £6,669 million in 2008-09, £7,024 million in 2009-10 and £8,035 million in 2010-11. This includes an additional £200m for primary schools which was announced yesterday.

Further details are now available at:

<http://www.teachernet.gov.uk/management/resourcesfinanceandbuilding/capitalinvestment/>

Our view:

At this point in time, we do not have a complete picture on the total funding available for children's services. We will be continuing to analyse funding in this area as and when more information becomes available.

Waste and the environment

The settlement announced additional PFI funding for sustainable waste management options, rising from £280m in 2007-08 to £700m in 2010-11. DEFRA's own funding will increase by 1.4% in real terms, with an announcement on the implications for waste funding for local government expected in due course. The settlement also announced a £370m Environmental Transformation fund.

Our view:

- Government's squeeze on general revenue funding, as demonstrated by the 1.4% real terms increase for DEFRA, takes no account of the pressures identified by their own officials, which indicated that waste spending will need to rise by 10% a year to meet rising landfill targets and avoid escalating landfill tax and fines. While we welcome increased PFI funding for waste management facilities, the long lead in times and complexity of developing them means that this could have little or no impact on waste cost pressures during the CSR period.
- The Environmental Transformation Fund will help to promote the economic opportunity created by the need to respond to climate change. We look forward to a discussion with government how it can be used to support transition to low carbon technologies in council buildings and facilities, housing and public transport.
- Government will receive an additional £150m extra income in 2008-09 as a result of the rise in landfill tax. Government stated that this money would be returned to local government; however, it is not clear from the settlement where this money has been returned to councils.

Value for money/Efficiency

The CSR confirmed ambitious targets for efficiency savings, 3% per annum, all cash releasing and totalling £30bn across the public sector by 2010-11. Local government's share of the target is £4.9bn. A value for money delivery plan published by CLG with the CSR shows that savings can be achieved through business process improvements and collaboration - £1.8bn, smarter procurement - £2.8bn and better asset management - £300m.

Our view:

- The LGA has consistently challenged the savings target for local government, in particular questioning the increase in the cashable element (rising from £1.5bn in the current CSR to £4.9bn in CSR07). We have also questioned the evidence base supporting CLG forecast on where the savings might be realised.
- However the LGA welcomes the additional resources of £150m for efficiency support over the CSR07 period, clearly money provided in response to our lobbying. Together with the continuation of the capacity building programme and support for improvement top sliced from RSG this will provide over £380m during the CSR period to deliver an agreed improvement and efficiency programme.

A simpler performance framework

The CSR announced:

- A single, balanced and coherent set of priority outcomes for local government working alone or in partnership, as set out in the relevant Public Service Agreements and Departmental Strategic Objectives;
- A single set of 198 national indicators to manage performance delivery outcomes, down from an estimated 1200. Details will be announced tomorrow;
- Any and all targets reflecting national priorities – to a maximum of 35 – will be negotiated through Local Area Agreements. There will be no mandatory targets for Local Area Agreements nor any other target setting mechanism for outcomes local government is delivering alone or in partnership;
- A third round of reward grant; level to be announced in November 2007, with distribution model to be consulted upon and agreed and in January 2008.

Our view:

- Cross cutting PSAs will support more joined up delivery at the local level. Government must recognise however, that delivering on these ambitious outcomes will require an appropriate level of funding.
- We are pleased that government has listened to our strong lobbying in relation to the number of national indicators, reducing the burden on councils by reducing the number of indicators to 200 and to impose no mandatory LAA targets. This will free up councils to focus scarce resources on meeting local priorities rather than reporting up to central government.
- We welcome a third round of performance reward grant to reward those who take risks to deliver better outcomes for local people. With a funding settlement of just 1% real pa, a cut in from the current amount of PRG of £500m in 2007-08 will hamper councils and partners ability to deliver better outcomes.

Housing

The CSR announced:

- Proposals to increase building of affordable homes by 50%.
- £1.7bn for investment in infrastructure in designated growth areas is to be welcomed.
- Funding for the new Housing and Planning Delivery Grant.
- Government has abandoned its plans for Planning Gain Supplement and is instead proposing a statutory planning charge.

Our view:

- Proposals to increase the building of affordable homes are a positive step, however, government's assumptions that this can be delivered without a commensurate increase in public investment rests on assumptions about the scope for housing associations to milk their asset bases; councils to contribute land; and the private sector to get involved in delivery.

- These assumptions are untested. We also wish to confirm that funding for new build is not at the expense of continued necessary investment in renovating social housing and turning round areas of housing blight.
- Government is right to put councils in charge of sorting out infrastructure requirements for housing growth as part of their development planning processes. But for this to be successful, they must have stronger powers to manage public sector investment where it is needed.
- £1.7bn for investment in infrastructure in designated growth areas is to be welcomed, but there is no indication that it is enough, and it does nothing to support the substantial housing growth planned outside those areas.
- The decision to legislate for a planning charge rather than Planning Gain Supplement is welcome. However, we await with concern, details of Housing and Planning Delivery Grant. This mustn't be confined to designated growth areas, or create a perverse incentive to build numbers without regard to quality, mix, or the ability to create a thriving community.

Economic development

Supplementary business rate

The government has announced that it will implement a power for councils to introduce a new supplementary business rate for councils. This will be subject to a maximum 2p per pound of rateable value; properties with a rateable value of less than £50,000 will be exempt.

Local Authority Business Growth Incentive

The CSR also announced funding for the LABGI scheme over the next 3 years: no funding was announced for 2008-09; £50m for 2009-10; and £100m for 2010-11. The government is consulting on the new scheme, with a closing date on 12 December.

Our view:

- We welcome the proposed power to implement a supplementary business rate. However, the supplementary business rate will not be available until April 2010, and even if every Council in England levied the maximum, the total money raised would be less than £600m. The Government's approach is cautious, introducing numerous controls and limiting the amount to half that recommended in the Lyons report.
- The proposed SBR and the reformed LABGI will together give Councils less than three-quarters of the £1 billion the Government offered in the last Spending Review period, taking away massive amounts of money for economic development at a time when substantial increases are needed. District councils and London Boroughs will be hit particularly hard, as they will not have the power to levy a SBR.
- In the face of the Government's aim to strengthen powers and incentives for Councils, slashing £850m from the LABGI scheme will simply put the brakes on many local initiatives to encourage economic development.

Transport

The Spending Review confirms 2.25 % real increase for transport. This will allow the Department for Transport to:

- Go ahead with Crossrail – with DfT providing £5 billion in grants
- Provide £15 bn funding for the rail network
- Take forward road pricing including local schemes
- Introduce free off-peak bus travel to all residents in England over the age of 60 and disabled people.

The Spending Review announced that £212m will be paid to councils by special grant to fund the national bus concession in England 2008/09. This will increase to £217m in 2009/10 and £223m in 2010/11.

Our view:

- The special grant for the national concessionary fares scheme is good news and reflects LGA lobbying on this issue. The LGA had argued that allocating the funding by Formula Grant would not be appropriate in this instance because it is not possible to predict what the total cost of the scheme will be, or how it will fall between local authorities. Under special grant, the funding will still be distributed via a formula, but it will allow for more flexibility in how the grant is paid to councils, reducing the likelihood that councils will be left out of pocket as a result of the free fares scheme. Importantly, it will also be transparent how much councils have received for the scheme.
- Councils are concerned about the likely increased costs of the scheme in future years due to increased take up of the scheme, better bus services and rising bus fares. We will monitor the take up of the scheme carefully to assess whether funding for 2009/10 and 2010/11 will be sufficient. Government should allow for the distribution formula to be revisited within the three year CSR period to allow for adjustments once better information on the costs of the scheme is available.

Further information

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