



## Report of the Director of Resources

### Executive Board

Date: 14 November 2007

Subject: Pre-Budget Report and Comprehensive Spending Review 2007

<b>Electoral Wards Affected:</b> All
<input type="checkbox"/> Ward Members consulted (referred to in report)

<b>Specific Implications For:</b>
Equality and Diversity <input checked="" type="checkbox"/>
Community Cohesion <input checked="" type="checkbox"/>
Narrowing the Gap <input checked="" type="checkbox"/>

Eligible for Call In

Not Eligible for Call In  
(Details contained in the report)

### EXECUTIVE SUMMARY

1. The purpose of this report is to provide members with a summary of the announcements contained in the recent Pre-Budget Report and Comprehensive Spending Review (CSR) which are of direct relevance to local authorities.
2. Alistair Darling, the Chancellor of the Exchequer, presented the Pre-Budget Report and the long-awaited Comprehensive Spending Review to Parliament on 9<sup>th</sup> October.
3. His report, entitled "*Meeting the Aspirations of the British People*", contains detailed assessments and forecasts for the economy and public finances and sets out the Government's priorities and spending plans for the years 2008/09, 2009/10 and 2010/11.
4. The report contains important announcements for local authorities, including the overall level of funding for local government for the next three years, a White Paper on Supplementary Business Rates, a consultation paper on the future of the Local Authority Business Growth Incentive Scheme, and further details of the Government's efficiency agenda.
5. The full implications of these announcements will be considered in more detail over the coming weeks. Details of funding for individual local authorities will not be available until the Local Government Finance Settlement at the beginning of December.

## 1.0 PURPOSE OF THIS REPORT

1.1 This report outlines the announcements made in the Pre-Budget Report and the Comprehensive Spending Review that directly relate to local government.

1.2 It must be stressed that unless stated otherwise, the totals and percentages quoted are *national* amounts. Amounts for Leeds will not be known until the Local Government Finance Settlement in December

## 2.0 BACKGROUND INFORMATION

2.1 Pre-Budget Reports were introduced by Gordon Brown in 1997 and are designed to give an update of the state of the economy and public finances, and to set out the direction of Government policy in the run up to the annual spring Budget. This year the Pre-Budget Report was combined with a more detailed Comprehensive Spending Review which sets out "firm and fixed" expenditure limits for the next three years across central government departments, the NHS and local government.

## 3.0 MAIN ISSUES

### 3.1 Revenue Support Grant (RSG) / Non Domestic Rates (NNDR) / Specific Grants

- Core funding for local authorities through RSG and NNDR is to increase in cash terms by 4.2% in 2008/09, 3.5% in 2009/10 and 3.4% in 2010/11. In real terms this equates to 1.5%, 0.8% and 0.7% respectively, an average over the three years of 1%. However, these figures include amounts for PFI support; when they are excluded, the cash increases are 3.8%, 2.8% and 2.6% and the real terms changes are 1.1%, 0.1% and -0.1%.
- Certain specific grants are being transferred into RSG in 2008/09. These are:
  - Children's Services,
  - Access and Systems Capacity (Adults Services),
  - Delayed Discharges (Adults Services),
  - Waste Performance and Efficiency (EPCS), part only
  - Dog Control,
  - In addition, £563 million of PFI grants have been moved into the 2007/08 baseline.
- A total of £5,000 million of ring-fenced grants are being moved into either RSG or Area Based Grant over the years to 2010/11, £900 million into RSG and £4,100 million into Area Based Grant.

### 3.2 Education / Children's Services

- Resources for Education are to rise by 2.8% a year in real terms. The schools funding settlement which will give details of proposed schools grants for the three CSR years will be announced shortly.
- Many grants relating to Children's Services are expected to be announced at the same time. (but see 3.1 above re the Children's Services grant).
- An additional £250 million is to be paid over the CSR period for personalised learning.
- National totals of capital expenditure on schools will be £6,669 million for 2008/09, £7,024 million for 2009/10 and £8,035 million for 2010/11.

### 3.3. Efficiencies

- The 3% a year cashable efficiency programme for local government has been confirmed and "underpins" the 1% real terms increase outlined in 3.1, above. Local authorities will be expected to generate extra spending power on front-line services from the efficiencies they make. Overall, local government is expected to achieve cash-releasing savings of £4,900 million a year by 2010/2011. The Government expect this to be achieved through

£1,800 million from business improvements and collaboration, £2,800 million through smarter procurement and £300m through better asset management.

- The Government is to provide £150 million to support authorities in delivering these savings.

### 3.4 **Waste and the Environment**

- Additional PFI funding for sustainable waste management is to be made available, rising from £280 million in 2007/08 to £700 million in 2010/11.
- A £370 million Environmental Transformation Fund is to be introduced to support the development of new energy efficient technologies.

### 3.5 **Adult Social Care**

- Overall local authority funding, from which adult social care is funded, is to increase by 1% a year in real terms. Concern has been expressed by the LGA and others that such an increase will not be sufficient to manage the needs of an aging population. The LGA estimate that an extra £2,682 million is needed for that alone, equivalent to the full funding increase to be provided to local authorities for all services.
- The Department of Health's social care funding, which directly supports new policy initiatives, will increase by £190 million by 2010/11. This funding will enable local authorities to build on progress already made in developing personalised services that give people and their carers greater choice and control over the way in which their needs are met. This will include expansion of care more tailored to the needs of the individual, helping more people to retain their independence, funding for the national rollout of Partnerships for Older People's Projects and the phasing out of NHS residential accommodation for those with learning disabilities, with individuals being supported to live independently in their own homes and communities.
- The Government will produce a Green Paper on reform to the system of adult care and support.

### 3.6 **Housing**

- The Government's intention is to deliver 3 million new homes across all tenures by 2020 - with the number of new homes being built rising to at least 240,000 per annum by 2016.
- There are proposals to invest £6,500 million over three years in new social housing to deliver 45,000 new social homes per year by 2010/11 through the Housing corporation and others, an increase of 50% compared with 2007-08, with a goal of reaching 50,000 per year during the next spending review period. DCLG will produce guidance to local authorities on a more focused use of social housing.
- The Government has set a national target to halve the number of homeless households in temporary accommodation to 50,500 households by 2010.
- The £500 million of funding for the new Housing and Planning Delivery Grant over three years is confirmed, to give local authorities the incentive to increase housing supply and help bring forward local development frameworks.
- £1,700 million over 3 years targeted funding for infrastructure in growth areas, the Thames Gateway, new growth points and eco towns, including a £300 million Community Infrastructure Fund.

### 3.7 **Transport**

- There is a 2.25% real terms increase for transport which will allow:
  - £5,000 million funding towards the total cost of £16,000 million for Crossrail in London
  - £15,000 million funding for the rail network

- Options for road pricing to be developed further
- Extension of the concessionary fare scheme which will give those who are 60 or over free off-peak bus travel across local authority boundaries. £212 million will be provided in 2008/09, £217 million in 2009/10 and £223 million in 2010/11.

### 3.8 Council Tax

- The Government expects local authorities to be able to keep council tax increases to “well below 5%” a year throughout the CSR07 period. Given that the real terms increase in funding only averages 1%, the Government is clearly expecting local authorities to bridge the funding gap through efficiency savings, see 3.3, above.

### 3.9 Business Rates

- The Pre-Budget Report papers included a White Paper on Supplementary Business Rates (SBR). This proposes giving top-tier local authorities the power to levy a SBR of no more than 2p in the £ on properties with rateable values of £50,000 or above. Income will be ring-fenced for spending on economic development, and a local authority will be required to carry out a detailed consultation exercise with local businesses and other stakeholders before introducing an SBR. Additionally, if the SBR is to fund more than one third of a project the agreement of the business community must be secured through a ballot. The new powers are expected to be in place for 2008/09. A 2p in the £ SBR in Leeds could raise around £10 million a year.
- The papers also included a consultation paper on future options for the Local Authority Business Growth Incentive scheme (LABGI). The current LABGI scheme which ends this year, will distribute £1,000m over three years and Leeds is expected to receive around £20 million in total from the scheme. In contrast, the new scheme will be limited to a national total £50 million in 2009/10 and £100 million in 2010/11, with nothing at all for 2008/09.

### 4.0 Implications for Council Policy and Governance

4.1 The announcements provide valuable background for the Council’s corporate planning framework and the implications will be taken into account in the development of the Council Business Plan and the Leeds Strategic Plan for 2008 to 2011.

### 5.0 Legal and Resource Implications

5.1 The announcements set the context for public spending and give the first firm indications of likely funding levels for 2008/09 to 2010/11. They will be used to inform the early stages of budget preparation for 2008/09 and beyond.

### 6.0 Recommendations

6.1 Members are requested to note the content of this report.

### **Background Papers:**

2007 Pre-Budget Report and Comprehensive Spending Review: “Meeting the Aspirations of the British People” Cm 7227, HM Treasury, 9<sup>th</sup> October 2007