

D6 LOCAL GOVERNMENT

The 2007 Comprehensive Spending Review (2007 CSR) ensures that local government can better deliver high quality public services, promote sustainable economic development, and empower individuals and communities. The settlement will enable local authorities to keep council tax rises low, and the Government expects the overall increase to be well under 5 per cent in each of the next three years.

Over the last ten years, Government grants to local government have increased by 39 per cent in real terms. The 2007 CSR grows resource DEL for local government at an average 1 per cent per year in real terms over the next three years. In addition, provision has been made in Department for Transport budgets of over £200 million a year from 2008-09 to support delivery of a national scheme for concessionary bus fares through local government. These increases in resources will be underpinned by an ambitious value for money programme, realising annual net cash-releasing savings of £4.9 billion by 2010-11. An additional £150 million will support the delivery of this efficiency programme. Together this will enable local government to deliver:

- **improved, modern, and personalised public services that meet rising individual expectations**, including reforms to improve services for families in need and children in care; proposals to promote independence for old and vulnerable people; and increasing the rate of recycling and composting household waste to 40 per cent by 2010; and
- **stronger local leadership in economic development and neighbourhood renewal**, with resources for a reformed Local Authority Business Growth Incentive Scheme.

The 2007 CSR will also deliver greater flexibility for local authorities to meet local priorities and improve local areas by:

- removing ring-fencing and other controls from grants totalling over **£5 billion by 2010-11**;
- streamlining performance management through a **single set of 198 performance indicators** for all outcomes that local government delivers alone or in partnership, and **no mandatory targets** in Local Area Agreements; and
- **introducing new powers** for Local Authorities. To invest in economic development through business rate supplements, subject to clear accountability to business.

Achievements so far **D6.1** The 2006 Local Government White Paper, *Strong and Prosperous Communities*, set out the Government's vision of local government providing stronger local leadership, raising local prosperity and providing public services that meet individuals' needs. As the next step in delivering this vision and empowering local government to take up the place-shaping role set out in the Lyons Inquiry, the 2007 CSR significantly advances the Government's agenda of devolution to the local level.

D6.2 Sustained increases in funding over the last decade matched with reforms have delivered significant enhancements to the efficient provision of public services at the local level such as the extension of direct payments in social care and allowing deprived families free school transport. Councils' performance has improved such that in the Comprehensive Performance Assessment (CPA), results for single tier and county councils announced in February 2007 showed that no councils are in the bottom CPA category, and 79 per cent of councils achieved one of the top two star ratings.

Challenges ahead D6.3 Over the next decade local authorities will face new challenges: long-term demographic changes will place rising demands on adult social care; meeting European Union environmental commitments will accelerate the need to radically reduce landfill for household waste; and local councils will play a vital and increasing role in shaping cohesive communities. Rightly, there are also rising expectations from citizens for modern and personalised public services.

Economic development and regeneration D6.4 The changing pace of economic growth in the context of increasing globalisation also means prosperity will increasingly depend on the ability of local areas to develop and maintain competitive advantage. The *Review of sub-national economic development and regeneration (SNR)* clarified and strengthened the definition of local government's role in promoting local economic growth and set out the functions which the Government believes local authorities should undertake to fulfil this role. The SNR set out how the Government intends to strengthen incentives and powers, for example through reforms to the Local Authority Business Growth Incentive scheme (LABGI) and through bringing forward proposals for business rates supplements. These reforms will be backed up with greater devolution from Regional Development Agencies and focused support for capacity-building.

Clear incentives to promote economic growth at local and sub-regional levels

The SNR concluded there are considerable opportunities for local authorities to play a stronger role in economic development and neighbourhood renewal. The Review concluded that further reform was needed to improve the flexibilities and incentives for local authorities to work with business to identify opportunities for growth and to take the necessary steps to make their areas more attractive to business investment.

Following the SNR's recommendations, the Government is announcing detailed proposals to strengthen and simplify the incentives for local authorities to take a leading role in economic development and regeneration by publishing today:

- *Building better incentives for local economic growth*,¹ an issues paper which sets out the Government's commitment to creating a **permanent incentive for councils that encourages sustainable economic growth fully integrated with the local government finance system**. The Government will work closely with the Local Government Association and Local Authorities, so that the new approach builds on the lessons of the existing LABGI scheme. The new incentive will be phased in from 2009-10, with funding of £50 million doubling to £100 million in its second year; and
- *Business rates supplements – a White Paper*, on the introduction of a **power for Local Authorities to raise and retain supplements on the local business rate**. Further details are set out in Chapter 4.

DELIVERING VALUE FOR MONEY THROUGH LOCAL GOVERNMENT

D6.5 Over the last ten years, Government grants to local government have increased by 39 per cent in real terms. **The 2007 CSR grows resource DEL for local government by 1 per cent a year on average in real terms over the CSR07 period**, alongside an ambitious value-

¹ *Building better incentives for local economic growth*, HM Treasury and CLG, October 2007.

² *Business rate supplements: a White Paper*, HM Treasury and CLG, October 2007.

for-money programme that will see local government deliver savings of 3 per cent per year. This will provide the resources to enable local authorities to deliver improving services while maintaining the low council tax rises of recent years, and the Government expects the overall increases in council tax to be well under 5 per cent in each of the next three years.

Value for money reform **D6.6** The Value for Money Delivery Plan published alongside the 2007 CSR shows that £4.9 billion of annual net cash-releasing value for money savings will be achieved by 2010-11 through:

- business process improvements and collaboration initiatives, which could deliver up to £1.8 billion annual net cash releasing savings by 2010-11;
- smarter procurement, which could deliver up to £2.8 billion annual net cash releasing savings by 2010-11. There will be significant investment in order to support this activity; and
- better asset management which could deliver up to £300 million net cash releasing savings per annum by 2010-11.

D6.7 To support the delivery of these savings, the **Government is providing an additional £150 million for efficiency support over the CSR07 period.** A new Improvement and Efficiency Strategy will also be developed between local and central government and published later this year. This strategy will set out how wider improvement and efficiency resources can be best utilised through a collaborative approach to improvement, addressing underperformance that targets key priorities.

Making resources flexible **D6.8** *Strong and Prosperous Communities* set out a clear framework for determining the allocation of funding to increase flexibility and allow local authorities to meet local priorities more efficiently. From 2008 onwards, the presumption for all revenue funding is that it will be delivered through Revenue Support Grant. Where this is not possible for distributional reasons, funding may be distributed through a specific grant delivered through an area-based grant (previously known as a Local Area Agreement grant). Only where a programme is particularly novel, or expenditure has little or no discretionary element at the local level, would any ring-fence be appropriate. In line with this commitment, the **Government is meeting its ambition, set in Budget 2007, to deliver a significant reduction in the level of funding provided through specific and ring-fenced grants such that in total over £5 billion will be provided through area-based grant or mainstreamed into Revenue Support Grant by 2010-11.**

A simpler performance framework **D6.9** In line with the commitments made in 2004 Spending Review to reduce and rationalise the performance-monitoring burden on local authorities, on which *Strong and Prosperous Communities* built last year, the 2007 CSR announces:

- **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. The Secretary of State for Communities and Local Government will announce details of these indicators which will replace all other performance indicators set by central government;** and a commitment that
- **any and all targets reflecting national priorities – to a maximum of 35 – will be negotiated through Local Area Agreements.¹** 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.

¹ Plus 17 statutory educational attainment and early years targets from DCSF

D6.10 To ensure that the new approach to Local Area Agreements is properly embedded with local partners working together to deliver ambitious, cross-cutting targets, **the 2007 CSR also announces a third round of reward grant** at a level that will maintain effective incentives whilst recognising that partnerships are now significantly stronger as a result of previous rounds of investment. The Government will set out the level of funding available in November 2007, and will then test with local stakeholders the model for distribution of reward funding with a view to finalising it in January 2008.

Asset management D6.11 Local authorities have a key role in delivering the Government's fixed asset disposal target of £30 billion by 2010-11 in addition to financial asset sales including student loans and are forecast to achieve total asset sales of around £24 billion. To support this, the Department of Communities and Local Government have developed an asset management programme proposing improving local authority capacity, updating existing guidance and working with the Audit Commission to place greater weight on asset management in the local government performance framework.

SPENDING PLANS

Table D10: CLG Local Government baseline and additions

	£ million			
	Baseline	Additions		
	2007-08	2008-09	2009-10	2010-11
Resource DEL	23,714	986	1,888	2,695
<i>of which LG programmes</i>	<i>594</i>	<i>619</i>	<i>632</i>	<i>546</i>
<i>of which Net AEF¹</i>	<i>23,120</i>	<i>24,081</i>	<i>24,920</i>	<i>25,763</i>
<i>of which LABGI²</i>	<i>–</i>	<i>–</i>	<i>50</i>	<i>100</i>
Capital DEL	143	–49	–29	–51
Total DEL³	23,857	937	1,859	2,644

¹ Net Aggregate External Finance comprises Revenue Support Grant (RSG) and National Non-Domestic Rates (NNDR).

² Local Authority Business Growth Incentive scheme.

³ Full resource budgeting basis, net of depreciation.