



## **Policy Briefing**

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**Title:** Comprehensive Spending Review Statement and Pre-Budget Report 9 October 2007

### **Summary**

On 9<sup>th</sup> October the Government announced the long-awaited results of its Comprehensive Spending Review 2007 (CSR07). The announcement delivered a very tough settlement for local government services, with only a 1% increase above inflation each year. The new efficiency target is very high.

This briefing summarises the main elements of the announcement relating to local government and their implications for Haringey.

### **Briefing**

#### **Background**

Government spending reviews take place every two years, but cover three year periods. They set out the policy and financial framework and departmental spending plans for the period. The government delayed the spending review that should have been published in 2006, with the intention that the next review was going to be a more wide-ranging and comprehensive review, setting the financial framework for the next decade of public service provision. The Treasury undertook a programme of analytical work and produced related reports on cross-cutting issues, as well as commissioning independent reports on specific areas, including the Barker Reviews on planning and housing growth, the Stern Review on Climate Change and the Lyons' Inquiry.

Spending reviews also set out the performance framework and targets for government departments and for local government.

#### **Key Announcements for Councils in CSR**

## Local Government Spending 2008-11:

The CSR gives increase in Aggregate External Finance (AEF) Revenue Support Grant (RSG) + National Non Domestic Rates (NNDR) 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 – an average of 1% per year.

The Government expects that this will enable local authorities to reshape local services around individuals, families and communities that use them and to keep **Council Tax** increases **well below 5%** over the next 3 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** (the main formula grant and Area-Based Grant) by the end of the CSR07 period.

Key transfers from specific into formula grant over the next period will be:

- Access and Systems Capacity Grant
- Delayed Discharges Grant
- Children's Services Grant
- Part of the Waste Performance and Efficiency Grant.

In 2007/08 these grants total £4.988m.

### Implications for Haringey:

- It will not be until early December that we know the amount of money Haringey will get for the 2007-11 period or how it will be divided between ring-fenced and general grant. This gives us very little time to establish next year's budget and means that we will have to move very quickly once we do get the detailed funding settlement.
- The HSP has the lead role in determining how general grants are spent and managing their expenditure. Increasing the size of general grants means an enlarged and more important role for the HSP and makes constructive and effective partnership working all the more important.
- £4.988m specific grant received in 2007/08 will move into the general formula grant next year. When grants transfer from specific to formula, an authority will only continue to receive this actual level of resource if overall we are above the grant 'floor' set by CLG. Haringey has been below the grant floor for the last five years and there is a strong possibility that we will continue to be so under the CSR07 period in which case we are unlikely to see the equivalent value of resource in 2008/09 as we receive this year.

## Efficiency Savings

The government confirmed it expects Local Authorities to make **3% cashable efficiencies** (£4.9bn) over 2008-11:

- £1.8bn through business process improvements and collaboration
- £2.8bn through smarter procurement &
- £0.3bn through better asset management

£150m of additional resources to support local authorities with this delivery is promised and a new National Improvement and Efficiency Strategy (NIES) will also be developed later this year.

#### Implications for Haringey:

Over the SR04 period, each local authority was set a 2.5% efficiency target of which 1.25% was required to be cashable. Overall local authorities are on track to over-exceed set targets and Haringey is on track.

As part of Haringey's annual business planning process savings targets are set – both to manage expected changes and variations in grant support and to fund investments. For the CSR07 period savings targets of 9.75% were set across the authority which aligns to the 3% target set in the CSR07 statement.

No **individual** local authority targets have been set for the CSR07 period, however achievement of efficiencies will be monitored via a new indicator included in the new national indicator set (see section on performance regime).

## Business Taxes

Some form of **Local Authority Business Growth Incentive** (LABGI) will continue (consultation in progress on new scheme). However there will be **no funding in 2008/09** and reduced funding of £50m for 2009-10 and £100m in 2010-11. In the current CSR07 period, up to £1bn was distributed through LABGI.

The Government is consulting on the technical detail of a new power to allow councils to implement a **Supplementary Business Rates (SBR)** from 2010-11. However **in London this will rest with the GLA not individual boroughs**. A White Paper published this week sets out detailed proposals. But it is envisioned that only large business will incur the tax, and a majority of large businesses will have to support the tax for it to be introduced.

#### Implications for Haringey:

- To date Haringey has received £838k (06/07) and £1,492k (07/08) LABGI grant funding. This money is totally un-ringfenced. Given the uncertainties over the actual operation of the scheme and the timing of grant announcements (generally February/March), Haringey has chosen not to build any of this grant into business planning treating it as a windfall. As such this funding does not underpin our revenue account and any reduction will have a limited effect.
- As noted above, the Government are consulting on the revised scheme which may change methodology for distribution and could direct how funding is used.

- Haringey will not be able to raise SBR so will need to seek to work closely with the LGA to win support for this tax among the business community and determine how the tax is spent. We understand that if the Mayor secures the opportunity to raise SBR, he will be obliged to consult London Boroughs on how this is use.

## Regeneration & Renewal

The government announced £2 billion over CSR07 period for neighbourhood and local renewal including a **new enterprise and renewal fund to replace NRF**. This will focus on

- tackling **worklessness, improving skills and promoting enterprise**;
- continuation of the New Deal for Communities programme
- a new programme to support communities during estate transformation.

Consultation around the Green Paper – *In Work, Better Off; next steps to full employment* – will end late October 2007 to be followed by Government's plans for wider reform.

### Implications for Haringey:

#### Neighbourhood Renewal Fund:

Haringey has received NRF for the past seven years (around £7.8m in the current year), which has been administered by the Haringey Strategic Partnership. NRF is primarily targeted at improving conditions in eight deprived wards in the east of the borough.

Details of the Working Neighbourhoods Fund (the successor to NRF) have yet to be announced although it is likely to be targeted at fewer Local Authority districts that have the highest levels of deprivation. Haringey is therefore highly likely to continue receiving the grant although it remains to be seen whether it will be more or less than the current NRF.

The new Working Neighbourhoods Fund is among those to be included in the enlarged Area Based Grant, also announced in CSR07 and which supports delivery of the LAA.

#### NDC funding

CSR07 outlines the continuation of funding until the end of the programme but there is likely to be increased pressure on NDC partnerships to demonstrate how they contribute to addressing worklessness, skills and enterprise in their areas. Local authorities that house NDCs, such as Haringey, will also want to consider how interventions in these neighbourhoods are aligned with broader strategies to promote economic prosperity.

There is little known about the new programme to support communities during estate based transformation, but this is likely to be targeted at areas that are

already undergoing large-scale physical redevelopment, which Haringey does not currently have.

The settlement for CLG also includes £50 million to be targeted at community cohesion in places where community relations face challenges from new patterns of diversity. This will be used to support the settled community and to enable the integration of new arrivals. Haringey is well placed to receive this fund.

## Children/Education

The CSR confirmed the 2.8% increase in real terms for education spending between 2007/08 and 2010/11 announced in March 07 Budget.

It also announced **an additional** £2 billion: **£250 million** of which will be spent on **personalised support for school children**, **£200m of capital investment** for the primary estate, **£35m** to improve **access to childcare** for families with disabled children.

Per pupil funding in maintained schools to rise by almost 20% in cash terms (10%) real terms over three years.

### Implications for Haringey:

The increase in school funding over the CSR period is less than in previous years (6.9% in 2007/08 and 6.8% in 2006/07). This together with an anticipated reduction in the Minimum Funding Guarantee and proposed changes in Haringey's Schools Funding Formula will require careful financial planning to ensure school deficits do not rise. The settlement is likely to place severe pressure on remainder of Children Services.

## Planning

Legislation in the forthcoming Planning Reform Bill will empower Local Planning Authorities in England to **apply new planning charges** to new development alongside negotiated contributions for site-specific matters. The charges will be used to finance the infrastructure proposed by the development plan for the area, including regional & sub-regional infrastructure. Legislation implementing **Planning-gain Supplement** (from Barker review) **will therefore not be introduced** in the next Parliamentary session.

Other announcements include:

- **£500 million** over the 3 year CSR07 period (120m in 2007/08) for the new **Housing and Planning Delivery Grant** to incentivise local authorities to improve housing supply and planning for housing.
- **£1.7 billion** funding **for infrastructure** in Growth Areas, Growth Points and Eco-towns over the CSR07 period

## Housing

- Additional investment to increase the level of house building to **240,000 a year by 2016**; in total an extra 3 million new homes between now and 2020
- **£8 billion** total spend on **new affordable housing** over the next three years
- Over **£4 billion** over the next 3 years to help people living in poor quality housing make **renovations to their homes**.
- Introducing measures to help bring empty residential properties back onto the market.
- Decent Homes target changing from 'bringing all social housing into a decent condition by 2010' to 'reducing the number of non-decent social rented homes by a further 500,000 by 2010/11'.

### Implications for Haringey:

The Housing & Planning Delivery Grant is estimated to translate to only circa £1k per new dwelling supplied which is not significant.

The announcement appears to confirm concerns already raised that funding for Decent Homes improvements will continue to be delayed which will impact on Homes for Haringey's ability to improve the condition of housing stock.

## Adult social care and well-being

- 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**.
- The NHS will receive 4% real terms increase per year over the same period. Among other things the additional money will contribute to new community services, creating 100 new GP services in the most deprived PCTs and 150 GP-led health centres delivering a wide range of health, social care and well-being services seven days a week.
- Direct funding of new social care initiatives 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.
- It also announced plans for a Green Paper on adult social care, as a first step 'to ensure that an affordable system is in place for the 21<sup>st</sup> century'.

- An announcement on Supporting People (SP) grant is expected in the next 2 weeks.

### **Implications for Haringey:**

A real-terms increase of just 1% is clearly not satisfactory for Adult Services in Haringey. This is because

- Increasing numbers of people with severe physical or learning disabilities, due to advances in medical science keeping more people alive but often in need of social care support.
- An ageing population, with a particular increase in the numbers of people aged over 85, who have the most complex social care needs including the highest need for specialist dementia care.
- Increasing demand for community-based services as a result of people being discharged from hospital sooner and admissions being avoided.
- In Haringey, particularly high prevalence of learning disabilities and mental ill health associated with the borough's levels of deprivation, and an ageing Black and minority ethnic (BME) community.

The higher-than-expected increase for the NHS is good news for the Council, as it will give PCTs greater scope to prioritise well-being and public health. This should in turn reduce, over time, demand for social care services.

The announcement of a new Green Paper is a welcome step which suggests that the Government is giving some recognition to the deepening funding crisis and perceptions of social injustice. The LGiU describes it as "to be warmly welcomed as the most significant progress on this contentious issue in almost a decade".

However, in the shorter term there are disturbing reports that the government is planning to remove the "damping" on the new funding formula adopted in April 2006 for "younger adults" social services. This new formula is highly controversial because it has the effect of redistributing funding away from almost every London borough to local authorities in other regions, in a way which bears no apparent connection to levels of need. If the "floor" is removed Haringey would lose £10.7 million per year. An urgent letter of concern has been sent to John Healey MP, Minister for Local Government.

The announcement on the future of the SP Grant is anxiously awaited. The SP Partnership Board has already given preliminary consideration to managing the expected decline in funding, but the extent of this is not known as it is thought the decline could be anything between 2% and 5% per year. A 5% decrease would lead to £575,000 of savings being needed in 2008/09, whereas with only a 2% decrease this figure would be reduced to £111,000. Either way substantial further savings would be needed in 2009/10 and 2010/11, and to address this a significant strategic realignment of Haringey's SP programme is likely to be required.

## Sustainability

- Government has published '*Moving to a Global Low Carbon Economy; Implementing the Stern Review*' at the same time as the CSR. This sets out how findings are being incorporated into Government policies and provides a forward look at the Government's planned international and domestic actions.
- Increase in PFI funding for sustainable waste management options from £280m (2007/08) to 700m (21010/11). There is also a reminder that the Landfill Tax will increase in April 2008.
- Provision of a new Environmental Transformation Fund which will have a 3 year budget of £1.2 billion, providing investment in new energy technologies in the UK and in poorer countries.

## Performance Regime

The government had already outlined its intentions to reduce and rationalise the performance-monitoring burden on local authorities. The CSR, however, has fleshed this out.

- Government has agreed a single set of its national priorities for local government and its partnership agencies and these have now been laid out in 21 Public Service Agreements (CSRs) between the Treasury and governmental departments.
- Government is radically reducing the number of indicators local authorities are expected to report on – from around 1,200 to 198. These indicators have now been published. These indicators will also apply where relevant to other local partners – such as PCTs and police – and be incorporated into their own performance frameworks, thus strengthening the incentives for closer partnership working to deliver joined-up outcomes.
- There will be a large reduction in the number of targets local authorities will be required to reach in their LAA – 35 maximum, along with 17 targets for educational attainment and early years. The Government will no longer set any mandatory targets among those up-to-35 priorities, though the 17 targets for educational attainment and early years are statutory.
- The CSR announces a third round of reward grant intended to incentivise good performance. The level of funding available will be set out in the next few months.
- Individual councils will no longer have **efficiency targets** unless agreed as one of the LAA targets, while achievement will be monitored by a single measure in the National Indicator Set. This will be '**the total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year**'.

Implications for Haringey: The new performance regime represents a considerable increase in the flexibility open to Haringey and its partners in pursuing their objectives. But it also plays a new onus on the Council and HSP to make the most of this new flexibility.



## **Reactions to the CSR**

Reaction to the CSR and Pre-budget statement was inevitably very varied but it was widely recognised that local government had received a very tight settlement. While welcoming some aspects of the CSR, the Local Government Association criticised the funding settlement as “the worst for local government in a decade. .... The Chancellor’s announcement will mean above inflation rises in bills for council taxpayers and businesses, and there remains a black hole in funding for the care of the elderly.”

London Councils has criticised the Government’s decision not to give individual boroughs the opportunity to levy business rates or have a voice in the setting of London-wide Supplementary Business Rates or directing income from it.

## **Key Issues for Haringey**

To summarise, the announcements of this week have many implications for Haringey. These include:

- Increased role for the HSP in allocating and managing an enlarged pot of non-ring-fenced grants
- London boroughs will not be able to raise SBRs and so will need to work closely with the GLA
- Despite increases in funding for social care, it is agreed that this will be insufficient to deal with growing demands for these services.
- The detail of final formula grant and specific grants will not be known until late November, early December which gives little time to react to significant budget changes
- Haringey received around £4.988m in specific grants this year. There is no certainty that any of this will make it into future non-ring fenced funding.
- The Council’s firm commitment not to raise council tax by more than 3% a year will make it all the more important to secure efficiency gains and deliver value for money.

## Appendix

This appendix lays out proposed changes to the grant system and the pooling of specific grants.

### LAA grants

#### **2007-08 grants delivered via Revenue Support Grant and Area Based Grant**

Pooled funding:

Children's Services Grant	£1910362
KS3 Behaviour & Attendance	£68300
KS3 Central Coordination	£158048
Neighbourhood Renewal Fund	£7,960,524*
Neighbourhood Support Fund	£42712
Positive Activities for Young People	£457581
Primary Strategy Central Coordination	£186130
Preventing Violent Extremism Fund	£80000
Pump Priming	£240,000
Safer Stronger Communities Fund	£2,238,209
School Development Grant	£1985426
School Improvements Partners	£80397
School Travel Advisors	£25000
Waste Performance and Efficiency Grant	£491450

*Total* £15,924,139

*\*Includes over-programming and carry forward from 2006-07*

Aligned funding:

#### *CYP*

Increasing Level 2 at 19 (LSC Funding)	£2,000,000
PCT Healthy Schools	£100,000
Pump Priming	£240,000
Reducing NEET (LSC Funding)	£3,300,000
Sexual Health	£40,000
Teenage Pregnancy Grant	£183,000

#### *SSC*

Basic Command Unit	£387,000
Pump Priming	£400,000

#### *HCOP*

Carers' Grant	£550,000
Choosing Health allocation to HTPCT (Spearhead)	£361,000

Citizens' Advice Bureau	£656,000
Health for Haringey programme (Big Lottery Fund)	£99,733
HTPCT Mainstream Funding – Early Intervention in Psychosis Funding*	£50,000
HTPCT smoking cessation service (mainstream revenue)	£433,000
LBH Mainstream Revenue (Recreation Services)	£70,400
LBH Mainstream Revenue (Recreation Services) – matched funding for post	£20,000
London Fire Brigade	£60,000
North London Sub-region	£470,000
Older People's Commissioning Budget	£1,000,000
Supporting People Grant	£5,000,000
<i>ED</i>	
ESF	£184,000
Job Centre plus(Deprived Areas Fund)	£250,000
LDA Opportunities	£114,200
Learning and Skills Council	TBC
North London Investment Agency	£628,567
Pump Priming	£80,000
<i>Total</i>	<i>£16,916,900</i>

#### **CSR07: Grants to be delivered via Revenue Support Grant**

Access and Systems Capacity  
 Delayed Discharges  
 Children's Services  
 Waste Performance and Efficiency

#### **CSR07: Grants to be delivered via Area Based Grant**

A comprehensive list will be published at the time of the provisional local government finance settlement in November. However, Area Based Grant will include, as a minimum, the following grants. In addition, CLG aim to include Supporting People programme grant from 2009/10, dependent on pilots in 2008/09 not raising serious concerns, and DCSF aim to include Contact Point (formerly Sharing IS Index) from 2010/11.

14-19 Flexible Funding Pot	DSCF
Adult Social Care Workforce (formerly HRDS and NTS)	DH
Aggregates Levy Sustainability Fund	Defra
Care Matters White Paper	DCSF
Carers	DH
Child and Adolescent Mental Health Services	DH
Children's Social Care Workforce (formerly HRDS and NTS)	DCSF
Children's Fund	DCSF
Choice Advisers	DCSF
Cohesion	CLG
Connexions	DCSF

Crime Reduction, Drugs Strategy and Anti Social Behaviour	HO
Detrunking	DfT
Education Health Partnerships	DCSF
Extended Rights to Free Transport	DCSF
Extended Schools Start Up Costs	DCSF
Local Enterprise Growth Initiative	CLG
Local Involvement Networks	DH
Mental Capacity Act and Independent Mental Capacity Advocate Service	DH
Mental Health	DH
Positive Activities for Young People	DCSF
Preserved Rights	DH
Secondary National Strategy – Behaviour and Attendance	DCSF
Secondary National Strategy – Central Coordination	DCSF
Preventing Extremism	CLG
Primary National Strategy – Central Coordination	DCSF
Respect	HO
Road Safety Grant	DfT
Rural Bus Subsidy	DfT
School Development Grant (Local Authority element)	DCSF
School Improvement Partners	DCSF
School Intervention Grant	DCSF
School Travel Advisers	DCSF
Sea Fisheries Committee	Defra
Stronger Safer Communities Fund	CLG
Supporting People Administration	CLG
Sustainable Travel General Duty	DCSF
Teenage Pregnancy	DCSF
Working Neighbourhoods Fund (replaces Neighbourhood Renewal Fund)	CLG