



The Rt Hon Hazel Blears MP
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To all English Local Authority Leaders and Chief
Executives and Chairs of Local Strategic
Partnerships

10 October 2007

Comprehensive Spending Review 2007

This week's Comprehensive Spending Review announcement includes a strong package for local authorities and Local Strategic Partnerships that demonstrates Government's commitment to the agenda set out in last October's Local Government White Paper - *Strong and Prosperous Communities*. The CSR is a major milestone in the Government's devolutionary journey and I want to ensure you are all personally briefed on the key elements.

Firstly, I would like to thank you for the constructive engagement which we have had with local government during CSR07. The contribution from the local authority associations and from individual authorities has enabled us to understand fully the key pressures which councils face over the next three years, and the ways that those pressures can be managed. I am also grateful for the engagement across local government and partnerships in the work to implement the new performance framework and Local Area Agreements. In particular, I would like to thank the 17 areas that worked with us on dry-run negotiations earlier this year. All this joint working demonstrates that we are making real progress in developing the new central-local relationship that underpins our ambitions to empower local authorities and local communities to improve quality of life and deliver better public services.

I believe that this CSR will help put local communities in the driving seat through major new freedoms and powers to decide their own priorities alongside a fair and affordable funding settlement. In summary, it includes an overall real terms increase in grant over the next three years; a radical reduction of Whitehall indicators and other measures to support the negotiation of stretching new Local Area Agreements; and a significant reduction in specific and ring-fenced grants, with over £5 billion moving into Revenue Support Grant or the new non ring-fenced Area Based Grant by the end of the CSR07 period. We have published an Issues Paper on the Local Authority Business Growth Incentives Scheme, and a White Paper on Business Rate Supplements that sets out our proposals for a valuable new tool to enable local authorities to promote economic growth. We have also announced our intention to develop a reform strategy for all adults receiving care and support, with an extensive consultation process in the New Year, leading to a Green Paper

looking at options for reform of the adult care and support system.

CSR07 provides increases in Revenue Support Grant (RSG) and National Non Domestic Rates (NNDR) – including support for PFI – of 4.2% in 2008/09, 3.5% in 2009/10 and 3.4% in 2010/11. This amounts to increases of 1.5%, 0.8% and 0.7% in real terms. As a result, RSG/NNDR will total £24,081 million in 2008/09, £24,920 million in 2009/10 and £25,763 million in 2010/11. This includes £677 million in 2008/09, £853 million in 2009/10 and £1,069 million in 2010/11 to support PFI projects.

This CSR realises a set of genuine flexibilities for local authorities that advance the Government's agenda of devolution to the local level:

- At least £5 billion of former specific grant and LAA ring-fenced grant will be delivered in the form of general grants which are not ring-fenced (Revenue Support Grant and Area-Based Grant) giving councils greater flexibility to manage financial pressures and focus funding on the priorities of your communities. Area Based Grant will start in April 2008. By 2010/11, £900 million previously paid through specific grants will have been rolled into Revenue Support Grant, and at least £4.1 billion of grants will be paid through Area Based Grant. I attach a list of the grants which will be paid in this way. This represents a considerable increase in the flexibility open to local government to take local spending decisions in line with the new performance framework.
- Government has collectively agreed a single set of its national priorities and a new national indicator set through which to measure these. We have delivered on our commitment in the Local Government White Paper to limit these priorities and indicators – the national indicator set for local authorities working alone or in partnership, a copy of which I attach to this letter, is limited to 198 indicators. This is a radical reduction from around 1,200 indicators against which you previously had to report. And what is more, 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.
- We want the new Local Area Agreements that we will start to negotiate together shortly to be genuinely responsive to local priorities. Therefore, we have agreed that Government will not set any mandatory targets among those up-to-35 priorities that we will be agreeing with you, alongside the 17 statutory targets for educational attainment and early years.

We have also heard the case you have made about the powerful incentive that Performance Reward Grant provides in strengthening and supporting partnership arrangements. The CSR announces a third round of reward grant. We will set out the level of funding available and test out the distribution model in the next few months.

The spending plans announce a challenging new efficiency target in line with those in the rest of the public sector. Councils will need to secure cash-releasing efficiency gains amounting to £4.9 billion a year by 2011, in line with the 3 per cent target set for the whole sector. Local authorities have a proven track record in delivering efficiency and I am certain you will continue to build on this as part of your response to the twin challenge for higher quality services and greater value for money. My Department will make available an additional £150 million support to help realise the efficiency target. Together with the

continuation of the capacity building programme and support for improvement top-sliced from RSG, this will provide over £380 million during the CSR period to deliver an agreed improvement and efficiency strategy.

We have also listened carefully to local authorities' concerns and are funding the new statutory national concessionary bus fare scheme through specific grant, on which the Department of Transport are currently consulting.

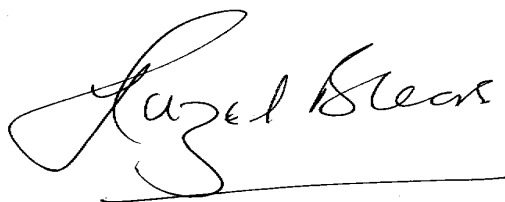
We will be aiming to provide allocations for all specific grants at individual local authority level by early December on a three year basis, except for those few which are demand-led or performance-related. Our aim is to announce these allocations alongside the provisional local government finance settlement.

We have also confirmed support for Business Rate Supplements in a White Paper published alongside the CSR. The move could provide significant additional resources for infrastructure including the introduction of Crossrail in London. It will include a vote for businesses where their contribution exceeds one third of the total project costs. Smaller-scale contributions would require statutory consultation. There will be a limit of 2p in the pound and smaller properties (with a rateable value of less than £50,000) would not pay the supplement. To minimise burdens the highest tier authority in any area would have the power to levy a supplement – the GLA in London, council councils in two-tier areas and unitary authorities in other areas outside London. There will be statutory consultation with other affected authorities. The measures will require primary legislation and so are, of course, subject to Parliament.

We will provide £50 million in 2009/10 and £100 million in 2010/11 for the Local Authority Business Growth Incentive Scheme. We have published an issues paper seeking views on how best the scheme can be redesigned to create a permanent incentive for councils that encourages sustainable economic growth, fully integrated within the local government finance system.

This settlement means that local authorities can continue low council tax rises. We expect the overall increase to be substantially below 5%. We are committed to protecting council tax payers from excessive increases and will not hesitate to use our capping powers as necessary.

As noted in the PBR 2006, recent reports from Derek Wanless for the Kings Fund and the Joseph Rowntree Foundation have made important contributions to the growing debate around the need for change to the support and care system for older people. We believe that the case for reform might be extended to all those adults receiving care and support. We are announcing, as part of the CSR, our intention to develop a reform strategy for all those adults receiving care and support. My colleagues and I plan to spend the next period in consultation with public, private and third sectors who have contributed to the debate thus far. In the New Year, we will set out a process which will involve extensive public engagement and will lead ultimately to a Green Paper which will identify the scale of the challenge, key issues, and give options for reform.

A handwritten signature in black ink, reading "Hazel Blears". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

HAZEL BLEARS

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. 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

¹ These grants are revenue only. Details of capital grants will be announced alongside the provisional local government settlement.

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