



Comprehensive Spending Review 2007 – What does it mean for Regeneration, Economic Development and Governance?

Number 54

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Introduction – About CSR 2007

The first spending and finance review of the Brown Premiership¹ brought a range of revenue and delivery commitments across government departments. Some sectors such as transport benefited significantly from the Spending Review and associated Pre-Budget report, whilst others such as employment fared less well. Upon reflection, the spending commitments, strategy and delivery policy for regeneration, economic development and governance are somewhat of a mixed bag. Commitments in regeneration such as the more deprivation and geographically focused Working Neighbourhoods Fund have been offset by a failure to commit funding to the Local Enterprise Growth Initiative beyond its current cycle. Similarly, reductions in the number of and a more locally focused set of Performance Indicators for local authorities have not been complemented by a reduction in the complexity surrounding national Level Public Service Agreements.

This bulletin aims to describe and analyse the contents of the Comprehensive Spending Review and in particular assess the implications of its commitments at the local level with regard to:

- What it means for regeneration;
- What it means for economic development;
- What it means for governance;

As a precursor to this, it is useful to briefly examine the key policy and financial messages of the Spending Review.

¹ HM Treasury (2007) Meeting the Aspirations of the British People. http://www.hm-treasury.gov.uk/media/7/4/pbr_csr07_completereport_1546.pdf

The Key Policy and Financial Messages of CSR 2007

The Government has an overarching objective 'to build a strong economy and a fair society, in which there is opportunity and security for all'. This objective flows through policy and funding commitments of the Comprehensive Spending Review and its thematic areas of focus of:

- ***Maintaining Macroeconomic Stability*** – Whilst the UK economy has grown for 60 consecutive quarters, there remain significant growth inequalities between regions and places, as cities adapt at different levels to globalisation and technological change. CSR provides further investment in public services to help equip the UK and its localities for change while entrenching the macroeconomic stability needed to enable the country to prosper in the increasingly competitive global economy;
- ***Transforming Public Services*** – The CSR commitments with regard to public services are based around three principles of: sustainability; efficiency and value for money; and user driven performance. The CSR commits to an additional £2billion investment in public services; a £30billion value for money saving; and a more service driven and key priority focused performance management system;
- ***Sustainable Growth and Prosperity*** – The CSR continues Government commitment to the growth of the economy and particularly through priorities relating to: raising productivity; improving skills; fair migration; promoting science, innovation and knowledge; delivering reliable transport; business support; and improving the economic performance of English Regions. These priorities are supported by policy and funding commitments such as the increased investment in the science base from £5.4billion in 2007-08 to £6.3 billion in 2010-11;
- ***Fairness and Opportunity for all*** – the commitments with regard to fairness and equality for all outlined in the CSR are very much based around three areas: employment; children and young people; and poverty. Financial commitments include additional increases to the Child Tax Credit;
- ***Stronger Communities and a Better Quality of Life*** – the commitments outlined in the CSR with regard to quality of life are based around key thematic areas such as health; housing; culture; cohesion; and crime and predominantly locally responsive delivery. Specific funding commitments include increased spending on housing from £8.8billion in 2007-08 to £10billion in 2010-11;
- ***A More Secure, Fair and Environmentally Sustainable World*** – CSR recognises the importance of balancing economic growth with environmental considerations. It particularly introduced commitments to and importantly Public Service Agreements to avoid dangerous climate change and mitigate the effects of climate change both in the UK and globally.

Overall, the Comprehensive Spending Review sets out the Government's priorities and spending plans for the years 2008-09, 2009-10 and 2010-11. In particular it commits to rising public spending from £589billion in 2007-08 to £678billion in 2010-11, an average increase of 2.1%.

What does CSR07 mean for Regeneration?

Imbalances between housing policy and housing investment

The Housing Green Paper, released in April of this year indicated a Government commitment to spend £3billion over the Spending Review period on new affordable housing alone. It also proposed reinvigorated investment in Social House Building. However, the CSR revealed an overall increase in housing investment of only £2.1 billion over the next three years, meaning that there is a

shortfall of at least £900million between new policy initiatives and actual commitment in spend terms. The announcement, as will be discussed subsequently, led to speculation that programmes such as Housing Market Renewal, Arms Length Management Organisations, and Decent Homes Programmes, could have their budgets cut to cater for the new initiatives and to avoid a funding black hole. In locality terms, this would suggest an increased government focus upon house building programmes at the expense of refurbishment and improvement programmes.

Confusion over the future of Housing Market Renewal Programmes

CSR07 was released alongside a series of supporting papers looking at particular areas of public funding priority. One of these initially released was with regard to the Housing Market Renewal Pathfinders, which announced it was slashing the budgets of some of the pathfinders. The supporting document stated that there would be significant reductions in grant of four of the pathfinders, with those four receiving no funding from 2011 onwards. It is also stated that the other five pathfinders would have their funding frozen at 2007-08 levels. The supporting document has since been retracted by the DCLG and removed from their website leading to confusion amongst pathfinders and indeed local areas as to their future. In fact following the confusion of CSR, pathfinders have received government commitment to the tune of £1billion over the three year spending review timeframe.

A Re-focused and Geographically Targeted Neighbourhood Renewal Programme

The CSR provided commitment to the continuation of some but not all Neighbourhood Renewal Programmes and appeared to place greater emphasis on a smaller number of the most deprived areas in England. Some £2billion of funding has been allocated to support efforts to turn around England's most disadvantaged areas, incorporating the continuation of the ten-year New Deal for Communities programmes, together with two new programmes. One, relating to empowerment and community development will seek to strengthen communities during estate regeneration and transformation. The second, expected to be called the Working Neighbourhoods Fund will focus upon improving local economies in the most deprived areas. DCLG have announced that funding pots will be allocated shortly following a review of the measures of deprivation in the coming month. The CSR did not however provide commitments to the future of the Neighbourhood Renewal Fund, meaning that some local areas and local authorities may lose a proportion of their deprivation and area based regeneration funding.

A greater emphasis upon community cohesion

A strong theme flowing throughout the CSR is that of equality, community cohesion and active citizenship. There are two particular Public Service Agreements of 'PSA21, build more cohesive, empowered and active communities' and 'PSA15, address the disadvantage that individuals experience because of their gender, race, disability, age, sexual orientation, religion or belief'. These priority areas are supported by new funding commitments. In response to the findings of the Commission for Integration and Communities, £50million will be made available over the next three years for local authority led community cohesion projects. It will be up to local areas to decide upon how the projects are implemented with suggestions around youth projects, conflict resolution, and awards ceremonies.

Changes to the Respect Agenda

One of the former Prime Minister's flagship initiatives to tackle anti-social behaviour, the Respect Task Force has changed direction as part of the CSR. A

new unit, the Youth Taskforce will aim to prevent young people from getting into trouble and encourage them to have respect for their communities. The new arrangement is far more focused upon prevention of anti-social behaviour rather than enforcement of those that commit it.

Future commitment to grants and contracts

The Comprehensive Spending Review reintroduces the commitment of Government to third sector grants as well as to third sector organisations delivering public service contracts. Whilst the previous spending review period was characterised by Public Service Agreement targets to increase the percentage of third sector organisations delivering public sector contracts and supporting programmes such as Change Up and Capacity Builders, the forthcoming spending period is set to follow a far more balanced path combining both grants and contracts. The PSA sub target is around 'a thriving third sector' rather than one focused on delivery and this is supported by two grants based programmes. The first one is a £80million small grants programme for local community groups. The second, worth £50million will be used to establish local endowment funds to make grants to support community-based activity. Infrastructure support at a sub-regional level will continue through the £85million Change Up Programme and the £65million Future Builders Programme.

What does CSR07 mean for Economic Development?

A budget cut for the Regional Development Agencies

The CSR announced a 5% annual cut to the combined budget for all the Regional Development Agencies. The budget for the RDA Single Pot will be £2.14billion in 2010/11, compared to £2.27billion for this financial year. Whilst cuts were not entirely unexpected, it does reflect an important move for local delivery of economic development activity and the move towards Regional Development Agencies having strategy at their heart rather than delivery. This is reflective of the Sub-National Review of Economic Development and Regeneration², which suggested future roles of RDA's being to develop single regional strategies, with far more accountability to local areas and local authorities, and with local authorities having more responsibility for economic development delivery. It remains unclear as to whether the CSR settlements have taken into account the new roles for RDAs outlined in the Sub-National Review.

Further Transport Investment

The CSR revealed funding increases for the Department for Transport by nearly a third over the next three years, which has positive implications for local transport policy, delivery and infrastructure projects. In the forthcoming spending round, transport investment will increase by 32% from £12.6billion in 2007/08 to £16.5 billion in 2010/11. Local transport coffers and environmental considerations will also be boosted with the announcement made in the CSR and expected to be formalised in the Local Transport Bill that local authorities will be able to set up road pricing schemes without central government permission. The increases are however masked by the London-centric focus of transport investment with more than £5billion allocated to the Crossrail project.

Cash Cuts for Local Enterprise Schemes

Interpretation of the CSR suggests funding cuts to two relatively new local enterprise formulation schemes namely, the Local Authority Business Growth Incentive (Labgi) and the Local Enterprise Growth Initiative (legi). Labgi which rewards local authorities for exceeding targets with regard to local business rates

² HM Treasury (2007) Review of sub-national economic development and regeneration.
http://www.hm-treasury.gov.uk/media/9/5/subnational_econ_review170707.pdf

and local business growth will receive £50million of funding in 2009/10 and £100million in 2010/11. This is compared to the allocation for 2005/06 and 2006/07 of £126million and £316million respectively. Labgi has already received widespread criticism of its format and its difficulty to understand how it applies locally, reflecting the decision not to run the programme in 2008/09, whilst it is restructured and redesigned.

Funding for new rounds of the Local Enterprise Growth Initiative will also be discontinued. The scheme, designed to boost enterprise activities in deprived areas, and currently operational in 20 local authority areas, will not receive the expected further £150million it was expected to be allocated, nor will a third round of competitive bidding take place. Since 2005, there have been two rounds of LEGI funding with £300million allocated. The CSR contained no details of allocated funding for LEGI, which is disappointing for a programme that has only been operational for only three years.

A New Supplementary Business Rate

The CSR provided commitment to long-term plans to introduce a Supplementary Business Rate for companies with a rateable value of more than £50,000. The locally levied taxes would then be retained by local authorities or city regions to spend on economic development activities. Policies around the implementation of Supplementary Business Rates are detailed in a supporting White Paper³ with a suggestion that the locally retained monies could be spent on a range of new economic development projects including transport infrastructure and conference centres. Businesses with a rateable value of under £50,000 would be exempt from the levy.

A New Focus upon Science and Innovation

The CSR has responded directly to the findings of the Sainsbury Review with a new £1billion funding package for business led research and innovation over the next three years. The funding which aligns current Regional Development Agency, Technology Strategy Board and Research Councils funding will seek to fund a new raft of support for technology and innovation in business. The funding commitment is a recognition of the importance of science and innovation, alongside research and development to both local level and national level economic output and productivity.

What does CSR07 mean for governance?

A raw deal for Local Government

Whilst the Department responsible for local government, the Department for Communities and Local Government emerged relatively well from the Comprehensive Spending Review with a 2.9% annual increase in funding, local government itself had a settlement described by the Local Government Association as 'the worst settlement for local government in a decade'. Local Authorities get a 1% real terms increase a year for the next three years, compared with an increase of 39% over the previous 10 years. This investment is offset by efficiency requirements of almost £5billion over the next three years.

Shake-up of Public Service Agreements

The new set of Public Service Agreements introduced as part of the Comprehensive Spending Review represented few surprises when it came to priority areas such as productivity, skills and education. There are however new commitments and areas of focus with regard to migration. PSA3 seeks to 'ensure

³ HM Treasury (2007) Business rate supplements: a white paper. http://www.hm-treasury.gov.uk/media/B/9/pbr_csr07_businessrate266.pdf

controlled, fair migration that protects the public and contributes to economic growth'. The PSA is supported by activities which will seek to strengthen UK borders, speed up asylum decisions and ensure those who cause the most harm to society are deported first. There has also been a renewed commitment to poverty and the environment. PSA9 seeks to 'halve the number of children in poverty by 2010-11, on the way to eradicating child poverty by 2020'. PSA27 seeks to 'lead the global effort to avoid dangerous climate change'.

Removal of Floor Targets as a measurement of neighbourhood renewal

Floor targets, introduced in 2000 as a method of measuring initiatives to eradicate health, housing and economic inequalities and to bring the most deprived places up to standard have been scrapped as a part of the new locally focused performance management framework announced as part of the CSR. The targets will instead be negotiated individually with councils by regional Government Offices as part of a move to simplify the monitoring regime and devolve power from central government.

A reduced, simplified and more localised performance management system

A key theme that flows through the series of recent Government publications, encompassing the Local Government White Paper, the Sub-National Economic Development and Regeneration Review and the Comprehensive Spending Review is devolution and localised performance. This has been reflected predominantly in proposals to reduce the national indicator set and make indicators far more locally focused. The Comprehensive Spending Review brings this commitment into action with the new performance framework for local authorities and local authority partnerships⁴, encompassing 198 dedicated indicators.

Performance against each of the 198 indicators will be reported for every single tier and county council Local Strategic Partnership, with these 198 indicators being the only measures on which central government will performance manage local government. This will mean an end to existing performance management arrangements, such as the Best Value Performance Indicators and the Performance Assessment Framework Indicators. The indicators will also aim to join up local delivery with the same indicators applying to local authority partners such as the Police and the Primary Care Trust.

The new performance management system will also enable more local flexibility in target setting and less mandating of Public Service Agreement Targets at the local level. Targets locally will be set entirely through the Local Area Agreement process in negotiation with relevant Government Offices for the Regions and will be restricted to a maximum of 35 targets drawn from 198 national indicators, together with 17 statutory targets on educational attainment. Whilst the thematic block structure of Local Area Agreements is set to be removed, the 198 national indicators are related predominantly to 7 themes of:

- Stronger Communities;
- Safer Communities;
- Children and Young People;
- Adult Health and Well-Being;
- Tackling Exclusion and Promoting Equality;
- Local Economy;
- Environmental Sustainability;

⁴ HM Government (2007) The New Performance Framework for Local Authorities and Local Authority Partnerships: Single Set of National Indicators.
<http://www.communities.gov.uk/documents/localgovernment/pdf/505713>

Some of the National Indicator Set are related to specific Public Service Agreements. Others are related to specific departmental strategic objectives. The restructuring of Local Area Agreements, due to take place in the early part of 2008 will enable Local Authorities and Local Strategic Partnerships to consider the new set of national indicators and negotiate targets for the inclusion in the LAA of those most relevant to local circumstances and of most local importance.

Conclusion

There is a certain degree of confusion contained within the Comprehensive Spending Review as to what the future holds for particularly regeneration and economic development programmes. Whilst commitment and funding is made to some form of neighbourhood and renewal programmes and some form of enterprise activity it is uncertain whether this will continue in existing formats such as the Neighbourhood Renewal Fund or whether a number of new programmes will be developed and delivered. The £2billion available to this needs to be allocated widely and build on activities that have been taking place in deprived neighbourhoods over the course of the last seven years. It also remains to be seen what disbanding and reducing the scope and funding of enterprise programmes such as labgi and legi will mean for local economic development and local communities.

With regard to governance, the contents of the Comprehensive Spending Review appear on paper to be rosier. There is a strong focus upon devolution of delivery through Supplementary Business Rates and also upon devolution of decision making through localised target setting and the new national indicator set. Local Area Agreements are set to be the key policy and delivery driver at the local level, with flexibility to select targets of the strongest local significance and which are real local priorities.

Bulletin is one of a series of regular policy reports produced by the Centre for Local Economic Strategies (CLES). CLES is a not-for-profit think-doing organisation, consultancy and network of subscribing organisations specialising in regeneration, economic development and local governance. CLES also publishes Local Work, Rapid Research and bespoke Briefings on a range of issues.

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