

Report to: **Audit and Best Value Scrutiny Committee**

Date: **21 November 2007**

By: **Deputy Chief Executive and Director of Corporate Resources and Director of Policy and Communications**

Title of report: **Reconciling Policy and Resources**

Purpose of report: **To update the Committee on the latest position on the Comprehensive Spending Review 2007, the National Indicator set and the proposed revised policy steers under the Leader and Deputy Leaders' portfolios**

RECOMMENDATION:

The Committee is recommended to note the report

1. Policy Steers

1.1 Lead Members have been discussing amendments to the policy steers in the light of changing circumstances over the last year. Proposed revised policy steers for the Leader and Deputy Leaders' portfolios are at Appendix 1.

2. Comprehensive Spending Review 2007 (CSR07)

2.1 A summary of the latest intelligence on the national picture following the CSR07 announcements and the likely implications for East Sussex are set out in appendix 2 to this report.

3. National Indicator Set and new Performance Framework update

National Indicator Set

3.1 The Government has published the new National Indicator Set (NIS) of 198 indicators, including 17 on educational attainment and early years which must be included in all Local Area Agreements. The NIS is at Appendix 3 to this report. The NIS has been developed as part of the Comprehensive Spending Review 2007 to reflect the Government's national priorities. Performance against each of the 198 indicators will be reported for every single tier and county council Local Strategic Partnership. The Government says NIS will be the only measures on which central Government will performance manage outcomes delivered by local government working alone or in partnerships. From April 2008, all other sets of indicators, including Best Value Performance Indicators and Performance Assessment Framework indicators, will be abolished.

3.2 The definitions for the indicators were published on 9 November. We are currently consulting on the definitions with the aim of presenting a response from East Sussex, including the views of our partners on the indicators that affect their services, which we hope will strengthen the case for any changes that need to be made to the set. Detailed analysis will need to go into the response about the relevance and availability of the data and the ease of setting baselines in particular, given that the Department of Communities and Local Government's analysis of the set is that only 95 use existing data sets with no changes to calculations, 39 will require recalculation of data and 64 indicators are completely new. Even within the existing 95 there are indicators that rely on data which had not been previously available to or considered by the Council, but on which we will be judged in future and we will need to look at those indicators to ensure that they are valid.

Comprehensive Area Assessment

3.3 The NIS is linked to the development of the Comprehensive Area Assessment (CAA). This will be the subject of separate consultation which is not yet available. It is likely to consist of: use of resources judgements for each council, police authority, primary care trust and fire and rescue authority; a joint-inspectorate direction of travel judgement for each council and fire and rescue authority; local performance against the NIS and an annual joint inspectorate risk assessment for each area (County level Local Strategic Partnership (LSP)). A self assessment by the LSP and other sources of information will be drawn together by the Audit Commission to form the basis of a risk assessment (although the language that will be used publicly is likely to be softened from risk to something like prospects for the area) which will inform any inspection and intervention work that may be required.

3.4 The risk assessment will look at how well the Local Strategic Partnership:

- understands and assesses the needs of its communities;
- uses this understanding to inform its local priorities;
- organises itself and ensures it has the capacity to deliver these priorities;
- ensures effective arrangements to identify and manage the risks to achieving priority outcomes; and
- delivers its 35 outcomes and wider local priorities.

3.5 The Use of Resources judgement will look at a council's performance under the three headings of managing money, managing the business and managing resources. There will be more focus on commissioning, partnership and sustainability. The Audit Commission plans to pilot the Use of Resources methodology at six sites between November and January and is expected to carry out more consultation with local government and others.

3.6 The Direction of Travel judgement will be complementary to the Use of Resources and Risk judgements. It will no longer be just an Audit Commission judgement and will be jointly agreed with the other inspectorates. It will also be trialled alongside the Use of Resources and Risk judgements.

3.7 There remain many issues to be resolved including a need for clarity about accountability in partnerships, the links between the LSP and the local authorities in county areas and how these will be reflected in the CAA; and the roles of the Audit Commission and the Government Offices in the performance management of local authorities. There is a risk that, with so many different consultation processes going on, being led by various different bodies, that the resulting framework will not deliver the reduction in the burden of inspection and also that the promised scope for local authorities to develop their own plans for an area will be lost. We will continue to respond to consultation documents and work with national bodies such as the CCN and LGA to try to ensure that the final framework is fit for purpose.

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Local Members: All

Background Documents

None

Strategic Management and Economic Development (Cllr Jones)

Strategic Economic Development (Cllrs Jones and Radford-Kirby)

- Raise the prosperity of East Sussex through improved work force skills, enterprise creation, access to funding and increased investment in infrastructure.

(also see policy steers marked with a double asterisk in other portfolios which have significant economic development impact)

Strategic Management

- ***To make positive progress towards tackling climate change in East Sussex, both in the County Council's own activities and through work with partners, to influence the behaviour of others.***
- Create sustainable communities by providing strategic leadership, empowering people, delivering locally and making sure the three tiers of local authorities in East Sussex work, ***commission and deliver services*** together effectively
- Support the delivery of the Council's policy steers ***and improvement of services*** through effective policy development and performance management
- Further improve the quality of services through effective scrutiny and legal support for members
- Provide a consistently high quality Personnel and Training service, recruiting, retaining and developing the highest quality staff to their full potential in order to achieve the Council's objectives
- Continue to improve equity and equality of opportunity for all through our service delivery and as an employer
- Improve the County Council's reputation by explaining our policies and decisions clearly and ensuring consistent information and messages using the full range of communication methods
- Involve local communities by ensuring residents have well informed expectations and their views about services, policies and priorities are taken into account.
- Maintain an effective emergency planning service

Corporate Resources (Cllr. Reid)

Policy and Finance

- Deliver the lowest level of council tax consistent with the Council's core priorities in line with the Council's policy steers

- Maintain and improve high standards of resources management across the County Council through:
 - Reconciling Policy and Resources;
 - High quality financial management and control, including the pursuit of “Excellence in Financial Management” ;
 - Maximising appropriate and fair local income generation opportunities;
 - Integrated and effective medium term planning;
 - Proactive management of outsourced services contracts;
 - Full involvement of scrutiny;
 - Effective consultation and communication with residents and partners.
- Maintain and improve high standards of governance, internal control and risk management
- Drive, in partnership, improvements in efficiency, productivity and procurement to maximise value for money
- Manage risk and uncertainties in future resourcing through realistic planning and maximising lobbying and influencing opportunities for a fairer grant settlement for ESCC.

Effective Property Management

- Maximise the efficiency of the property portfolio on behalf of the council through:
 - Effective asset management covering, utilization, maintenance, accessibility and disposals;
 - Effective county-wide capital planning linked to the property necessary to deliver service priorities;
 - Provision of office accommodation better suited to service delivery including modern ways of working, and new HQ possibilities;**
 - Effective energy management as a contribution to addressing global warming.
 - ***In conjunction with appropriate client sponsor roles, ensure effective and efficient delivery of capital projects***

***policy steer guiding project with significant economic development impact*

A Summary of the Comprehensive Spending Review 2007-(CSR07)**National Overview**

1. On 9 October Alistair Darling MP, the Chancellor of the Exchequer, announced the outcome of the comprehensive spending review (CSR07). This confirmed public service priorities and the budgets of all Government departments for the next three years 2008/09 to 2010/11.
2. Overall, total Government spend is planned to rise from £589.2bn in 2007/08 to £678.3bn in 2010/11. The figures represent a real increase in public spending of +2.1% per annum. The Government assumed inflation rate of 2.75% means that the planned spending totals therefore increase by 4.8% per annum.
3. For local government, CSR07 sees, in real terms, 1.0% growth per annum in formula grant averaged over the three years (or 3.8% cash change after allowing for inflation). However the 1% growth is front ended over the three years i.e.1.5% 2008/09 (4.2% cash), 0.8% 2009/10 (3.5% cash) and 0.7% 2010/11 (3.4% cash).
4. Local government will receive £5 billion of former specific grants and former LAA ring-fenced grants as non-ring-fenced grants – though spending obligations on this funding will in many cases remain. This will either be added to formula grant or be part of a new “Area Based Grant”,
5. There will be no significant improved funding for either Older Peoples Services or Waste Management, which is disappointing. (Although the Government will be consulting on the reform of the public support and care system and plans to publish a green paper).
6. Other specific features affecting local government include:
 - The Government is consulting on the detail of a power to implement a Supplementary Business Rate with effect from April 2010, for businesses with rateable value over £50,000 and a maximum levy of 2p in the pound;
 - Funding for the LABGI will be reduced to £150m over the next three years (none in 2008/09) and a new scheme is currently being consulted upon;
 - The Government is establishing a value-for-money programme across all of government to deliver cash-releasing savings of 3% per annum;
 - The Government expects that council tax will be kept below 5% per annum over the next three years;
 - There will be a reduction in the number of performance indicators from over 1000 to 198;
7. The Local Government Association describes the outcome of CSR07 for local authorities as the worst financial settlement for a decade, with a rate of growth around half that of the recent past (CSR2004) which offered growth of just over 4% in real terms (and 2.6% per annum for local government).

Local Overview

8. In reality, despite the national headlines, the specific position for ESCC is not yet clear. Indeed that will be the case for most authorities. For ESCC we are a floor authority and have been for five years. In that context headline national increases in formula grant are not particularly relevant. Instead we await details as to the extent of floor support in future years. That is not expected until late November or early December. Our current medium term assumes there is a modest floor increase of some 0.5% p.a.
9. By Degree, similar position exists in relation to specific grants. In practice, ESCC receive some four times more funding through specific grants than it does through (general) formula grant. The most significant specific grant relates to the Dedicated School Grant but, for example, we are also reliant on key specific grants for the operation of Children's Centres and core spend within Adult Social Care. Again, despite some of the selective national headlines in relation to specific grants, we will not get a comprehensive listing of specific grant awards for ESCC until the end of November/early December, or even later. The issue is compounded by the Government's wish to transfer some current specific grants either into formula grant or into a new grant to be referred to as 'Area Based Grant'. In the case of the later, this is linked apparently to future developments in Local Area Agreements. At this stage, however, the concern must be that there is a net reduction in total specific grant support. We will not know this for some weeks.
10. While the Council supports efficient working, the view remains that arbitrary efficiency targets are incoherent if they are set without reference to the underlying spending pressures we face and without regard to recent the history of grant distribution and prior efficiency gains.
11. The rest of the briefing note covers more detail on the national announcement as it relates to individual service areas.

Individual Main Services – National Position

12. **Adult Social Care:** Whilst local authority spend is planned to increase by 1%, Health spend is planned to increase by 4% (in real terms). The headline service implications are that there is a planned increase in personalisation of care (including individual budgets) and continued investment for independence and the improving quality of life of older people, which includes expanding the Partnerships for Older People's Projects.
13. A particular point emphasised by the LGA is that, if councils are to provide current levels of social care to increasing numbers of older people, an average 1% real terms funding increase is not sufficient over the next three years. It has been estimated that this funding pressure alone could leave no additional funding for any other council services.
14. **Children's Services:** Total Children, Family and Schools (education) spending is planned to increase in real terms by 3.1 % per annum, though there is little detail on how this will be allocated. The schools funding settlement, which will give details of proposed schools grants to authorities for the next three years is expected in early November. While some children's

services grants have already been announced, further ones could be announced at this same time. An additional £250m over three years is to be devoted to personalised learning. Totals for schools capital had just been announced on 8th October (£6,669m – 2008/09; £7,024m – 2009/10; and £8,035m – 2010/11. This is being analysed but initial work suggests the majority of this comes in the form of supported borrowing – which is effectively of no benefit to floor authorities.

15. **Waste and the Environment:** The Settlement announced additional PFI funding for sustainable waste management options, rising from £280m in 2007-08 to £700m in 2010-11. With DEFRA's own funding increasing by 1.4% in real terms, an announcement on the implications for waste funding for local government is expected in due course. The Settlement did announce a £370m Environmental Transformation fund.
16. All this takes no account of the identified spending pressures for waste that could rise by 10% a year to meet rising landfill targets and avoid escalating landfill tax and fines. While the increased PFI funding for waste management facilities is welcomed, the long lead times and complexity of developing them means that this could have little or no impact on waste cost pressures during the CSR07 period. The Environmental Transformation Fund will help to promote the economic opportunity created by the need to respond to climate change. The Government will receive an additional £150m extra income in 2008-09 as a result of the rise in landfill tax. While the Government has stated that this money would be returned to local government; it is not clear from the Settlement where this will come.
17. **Transport:** Transport spending is planned to increase by 2.1% in real terms. This will allow the Department for Transport to go ahead with Crossrail, to provide £15bn funding for the rail network and to take forward road pricing (including local schemes). It will enable free off-peak bus travel to all residents in England over the age of 60 and to disabled people. To fund the concessionary fare proposal, £212m will be paid to councils by special grant (for 2008/09), increasing to £217m in 2009/10 and £223m in 2010/11.
18. The special grant for the national concessionary fares scheme is good news. Allocating it by Formula Grant would not be appropriate for East Sussex, because it is not possible to predict what the total cost of the scheme will be or how it will fall between local authorities. A special grant will offer more flexibility and transparency about how much councils require for the scheme.
19. At present, concessionary fares are the responsibility of the districts and boroughs. That remains the case but if all districts agree, and the relevant County Council agrees, the grant can be administered at the County level.

Corporate developments

20. **Value for money/Efficiency:** The 3% per annum target for efficiency savings, all cash-releasing, is planned to provide £30bn across the public sector by 2010-11. Local government's share of the target is £4.9bn (and the ESCC element may be circa £9 million). The CLG value-for-money delivery plan suggests that savings can be achieved through business process improvements and collaboration (£1.8bn); smarter procurement (£2.8bn); and better asset management (£300m).

21. The incoherence of the savings target for local government has been challenged nationally including where the savings might be realised. However there will be additional resources of £150m for efficiency support over the CSR07. These resources are to assist delivery of improvement and efficiency programmes.
22. **A simpler performance framework and local area agreements:** The CSR announced 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.
23. A single set of 198 national indicators have been announced for performance delivery outcomes (down from an estimated 1200). Targets reflecting national priorities – to a maximum of 35 – will be negotiated through Local Area Agreements and there will be no mandatory targets for Local Area Agreements. This should free up councils to focus scarce resources on meeting local priorities rather than reporting up to central government.
24. A third round of reward grant will be announced in November 2007, with a distribution model to be consulted upon and agreed for January 2008. With growth of only 1% per annum, a cut in current reward grant levels is expected, hampering councils and partners ability to deliver improved outcomes.
25. **Supplementary Business Rate:** The Government has announced that it will enable upper tier councils (i.e. the County Council) to introduce a new supplementary business rate from 2010/11. It will be subject to a maximum 2p per pound of rateable value (half of the Lyon's recommendation) and properties with a rateable value of less than £50,000 will be exempt. We are currently investigating the potential yield for East Sussex as the national yield is estimated at less than £600million.
26. **Local Authority Business Growth Incentive:** The current LABGI scheme has distributed £535m to date (ESCC £796k) with a further £460m planned for 2007/08. The Government is currently consulting on a new much smaller replacement scheme. No funding is announced for 2008-09; £50m for 2009-10; and £100m for 2010-11. The current scheme favours authorities with a strong business base, to the detriment of those (such as East Sussex) with a low starting point. The reduced funding will affect many initiatives nationally that promote economic development.