

Pre-Budget Report 2008 – LGA Briefing

25 November 2008

LGA Key Messages

Local authorities are taking a lead in the effort to help people and businesses at a local level. It is vital that councils are given the tools they need to support local people and businesses through tough economic times

- **Devolution of powers over economic issues** - Different parts of the country will be affected by the downturn in very different ways¹ A national, blanket policy to deal with the recession cannot target help effectively to specific areas. As many economic decisions as possible need to be taken at a local level to ensure that local solutions can be found to local problems.
- **Creating affordable housing-** With repossessions having risen by 70% and predictions of five million people waiting for a council house by 2010, social housing must be a top priority. Allowing councils to keep the £200m surplus raised from council house rents and greater freedom to borrow would free them up to build more homes. The Government should support councils to guarantee mortgages and housing schemes and allow authorities to keep all capital receipts from the sale of housing.

Headlines from PBR for Local Government

- An additional £5 billion public sector value for money target for 2010-11.
- The bringing forward of £3 billion of capital spending from 2010-11 to 2008/09 and 2009/10 for housing, transport and other construction projects including:
 - £775 million of housing and regeneration investment;
 - £800 million in the priority schools capital programmes;
 - £535 million on energy efficiency, rail transport, and adaptation measures;
 - £50 million of investment brought forward, and £100 million of additional funding, for the Warm Front programme; and
 - £20 million of investment on flood defences.
- An increase in the employee, employer and self-employed rates of national insurance contributions by 0.5 per cent from April 2011.
- A set of devolutionary proposals, to be agreed with local authorities in city-regions on a voluntary basis, to increase their ability to drive sustainable economic growth.
- From April 2009 the maximum amount of Local Housing Allowance that will be received will be the five bedroom rate.
- A new taskforce of experts from local authorities and the third sector will report in spring 2009 on how best to assist local authorities in further improving take-up of tax credits and benefits.

Further Information

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¹ See LGA Report, From Recession to Recovery, <http://www.lga.gov.uk/lga/aio/1215871>

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Summary of Key Proposals Affecting Local Government

Efficiency Savings

- *The Government reports that departments are making good progress towards the 2007 Comprehensive Spending Review value for money target of £30 billion of savings by 2010-11 and announces an additional £5 billion value for money target for 2010-11.*

LGA View

Whilst no part of government can be exempt from efficiency savings, we understand there is a recognition of the pressures on local authorities and the importance of not destabilising council tax. Further details of how the £5bn will be distributed will be published in the Spring Budget.

The LGA will argue vigorously with government that councils, as the most efficient part of the public sector, are already contributing more than their fare share to savings and that the new targets should be weighted towards other parts of the public sector to minimise the effect on council tax or service levels.

Bringing Forward of Capital Spending

- *In total the Government will bring forward £3 billion of capital spending from 2010-11 to 2008-09 and 2009-10 across a range of areas including for schools, social housing and energy efficiency.*
- *£800 million is to be brought forward in the schools capital programme. Although no breakdown has yet been given, the Chancellor's statement referred to additional spending in 2009-10 being put into primary schools and boosting local authority funds for modernising school infrastructure.*
- *Other capital spending programmes brought forward include £20m for flood defences, but it is not clear how this will be directed.*

LGA View

The LGA welcomes additional resources to boost the economy but notes that this in itself is not an addition to the figures already announced in CSR2007.

Housing

- *As part of the bringing forward of capital spending, the Government is to bring forward £775 million of housing and regeneration investment. £575 million will provide additional support for social rented homes of which £150 million will support the delivery of new social housing, £250 million to sustain and accelerate the Decent Homes programme and £175 million on major repairs.*
- *£50 million of investment has been brought forward and £100 million of additional funding introduced for the Warm Front programme. The government estimate this will enable 60,000 homes to benefit more quickly from energy efficiency and heating measures.*
- *There is no expansion of the £200m mortgage rescue scheme announced in September but £15m extra provided for debt advice.*

LGA View

Extra debt advice funding is welcome but it is disappointing that there is no additional funding for mortgage to rent schemes. The funding available will only help a quarter of the households facing repossession over the next year. CLG need to clarify the timescale and operation of the scheme.

The LGA welcomes extra funding for building and improving housing and energy efficiency. There is lots of potential for councils to help tailor spending for local conditions and get the most out of it.

The Government's plans for further home insulation are a step in the right direction but our proposals for insulating every home and providing homeowners with interest free loans for micro-generation would allow even more jobs to be created. Area based approaches to insulation, led by councils who know the housing stock and the households that would benefit most, would deliver scale economies and integrate the different funding streams now available for this activity.

National Insurance Contributions

- There will be a 0.5 per cent increase in the employee, employer and self-employed rates of National Insurance Contributions from April 2011.

LGA View

As with all employers, an increase in National Insurance Contributions will add to local government wages bills. The change is not due to take place until after the next general election.

City-Regions

- The Government is to agree, on a voluntary and tailored basis, a set of devolutionary proposals with local authorities in city-regions, to increase further their ability to drive economic growth and contribute to sustainable development. The Government intends to announce new agreements with at least two forerunner city-regions at Budget 2009.
- The proposals will be underpinned by new statutory arrangements for sub-regional cooperation between local authorities, supporting strong local capacity, governance and accountability at the city-region level.

LGA View

The LGA has argued for a substantial devolution of powers and funding to councils working in partnership to reflect the real level at which local economies work - the level of the city or sub-region. We support the proposals for devolving greater responsibility for planning, housing, transport, regeneration, employment and skills and economic development to city regions. These have the potential to make more rapid progress on the government's commitment to economic devolution. However, we will want to look in more detail at the 'package' of measures being offered to the areas participating to make sure that the extent of the offer genuinely matches the level of ambition for greater devolution sought by the partnerships chosen as 'forerunner city regions'.

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