



## **Report to Cabinet**

**Subject:** Coalition Programme, the Queen's Speech and government budget announcements

**Date:** 8 July 2010

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### **1. PURPOSE OF THE REPORT**

- § To inform members of those elements of the Coalition's "Programme for Government" most likely to impact on local government.
- § To inform members of proposed legislation set out in the Queen's Speech that relates to local government.
- § To update members on recent government budget announcements and their anticipated effect on the Council's financial position.

### **2. BACKGROUND**

The Coalition published its "Programme for Government" on 20 May 2010. The programme sets out its aspirations for a five year term of office.

The programme is set out in themes. Some of these themes directly relate to local government, though there are implications for local government in many other themes. These are outlined in section 3.1 below.

The full document can be found at  
[http://www.cabinetoffice.gov.uk/media/409088/pfg\\_coalition.pdf](http://www.cabinetoffice.gov.uk/media/409088/pfg_coalition.pdf)

The website version can be found at  
<http://programmeforgovernment.hmg.gov.uk/>

Much of the programme will require primary legislation to be implemented, but some will not.

The Coalition's government's programme of legislation for its first 17 months was set out in the Queen's Speech on 25 May. This makes clear what the government's legislative priorities in its first session of parliament will be. Again, set out below are those bills which are directly relevant to local government, and those which, though not directly linked, may have an impact on the sector.

The Chancellor of the Exchequer announced £6.2 billion savings to be made in 2010/11 in a speech made on 24 May 2010. Details of those savings and their implications for the Borough Council are set out in section 5 below. The Chancellor presented an Emergency Budget on 22 June 2010 and the implications for the Borough Council, as far as can be established at this stage, are also set out below. There will be a verbal update at the Cabinet meeting if there are any further developments in the intervening period.

### **3. PROGRAMME FOR GOVERNMENT**

In the introduction, the PM and Deputy PM set out their view that *"the days of big government are over"* and stress their *"ambition to distribute power and opportunity to people rather than hoarding it within government"*. They state their intention *"to oversee a radical redistribution of power away from Westminster and Whitehall to councils, communities and homes across the nation."*

But they do stress that their first duty is to safeguard national security and make clear that they see tackling record debt as the most urgent task they face. In that context, perhaps the most telling line in the entire document is the one that appears right at the end and states that: -

*"The deficit reduction programme takes precedence over any of the other measures in this agreement, and the speed of implementation of any measures that have a cost to the public finances will depend on decisions made in the Comprehensive Spending Review"*.

It is in that context that the overall programme needs to be considered.

#### **3.1 Issues with direct relevance to Local Government**

Pledges set out under the **Communities and Local Government** theme include:-

- Promoting the radical devolution of power and greater financial autonomy to local government and community groups, to include a review of local government finance.
- Rapid abolition of Regional Spatial Strategies to return decision-making powers on housing and planning to local councils, with a specific commitment to give councils new powers to stop “garden grabbing”
- Longer term radical reform of the planning system to give neighbourhoods more ability to determine the shape of places where their inhabitants live, based on the principles in the Conservative Planning Green Paper “*Open Source Planning*”
- Abolition of the unelected Infrastructure Planning Commission and its replacement with an efficient and democratic system to provide fast-track processes for major infrastructure projects
- A simple and consolidated national planning framework covering all forms of development and setting out national economic, environmental and social priorities
- Maintain the Green Belt, Sites of Special Scientific Interest (SSSIs) and other environmental protections , and a new designation, similar to SSSIs to protect green areas of particular importance to local communities
- Abolition of the Government Office for London and consider the case for the abolition of other Government Offices
- More protection against aggressive bailiffs
- Explore a range of measures to bring empty homes back into use
- Promotion of shared ownership and help for social tenants and others to own or part own their home
- Promotion of a “Home on the Farm” scheme to encourage farmers to convert existing buildings into affordable housing
- New trusts to make it simpler for communities to provide homes for local people
- Phase out ring-fenced local authority grants and review the Housing Revenue Account
- Freeze Council Tax for at least one year, and seek to freeze for a further year in partnership with local authorities

- Create directly elected mayors in England's 12 largest cities subject to confirmatory referendums and full scrutiny by elected councillors
- A new general power of competence for councils
- Ban use of Regulation of Investigatory Powers Act (RIPA) by councils, unless signed off by a magistrate and required for stopping serious crime
- Allowing councils to return to the committee system if they wish to
- Abolition of the Standards Board regime
- Stopping local government reorganisation in Devon, Suffolk and Norfolk and stopping plans to regionalise the Fire Service
- Tougher rules to stop unfair competition by local authority newspapers
- New powers to help local communities save local facilities and services threatened with closure, and a right for communities to take over local state-run services
- Implementation of the Sustainable Communities Act – to allow citizens to see how taxpayers' money is spent in their area and to have a greater say over that spending
- Cut local government inspection and abolish Comprehensive Area Assessment (*letter from Audit Commission stopping all work on CAA immediately received 1 June 2010*)
- Require continuous improvement to the energy efficiency of new housing
- Incentive for local authorities to deliver sustainable development, including new homes and businesses
- Power to councillors to vote on large salary packages for unelected council officials

Pledges of direct relevant to local government set out under other themes include: -

Under the **Business** theme: -

- Enabling councils to take into account competition issues when drawing up local plans to shape the direction and type of new retail development
- Supporting the creation of Local Enterprise Partnerships – as joint local authority/business bodies brought forward by local authorities themselves to promote local economic development – these will replace Regional Development Agencies, but may take the form of existing RDAs in areas where they are popular
- Ending the ban on social tenants running businesses from their own homes

#### Under the **Civil Liberties** theme

- Further regulation of CCTV

#### Under the **Crime and Policing** theme

- More accountable policing through oversight by a directly elected individual, subject to strict checks and balances by elected representatives
- Overhaul of the Licensing Act to give local authorities and the Police stronger powers to remove or refuse to grant licenses to premises causing problems
- Allowing councils or the police to permanently close shops or bars persistently selling alcohol to children
- Allowing councils to charge more for late night licenses to pay for extra policing

#### Under the **Energy and Climate change** theme

- Encouraging community-owned renewable energy schemes where local people benefit from the power produced and allowing communities to keep additional business rates generated

#### Under the **Environment, Food and Rural** theme

- Work towards a zero-waste economy, encouraging councils to pay people to recycle

#### Under the **Government Transparency** theme

- Requiring public bodies to publish on line the job titles of every member of staff and the salaries and expenses of senior officials paid

more than the lowest rate on Pay Band 1 of the Senior Civic Service pay scale

- Requiring councils to publish meeting minutes and local service and performance data
- All councils to publish items of spending above £500, and to publish contracts and tender documents in full

Under the **Pensions and Older People** theme

- An independent commission to review the long-term affordability of public sector pensions, while protecting accrued rights

Under the **Political Reform** theme

- A right to residents to instigate local referendums on any local issue

### 3.2 Proposals which may have an indirect impact on local government

Again there are many. The list attached at **Appendix A** is a first impression of proposals largely within the purview of other agencies but which may impact on councils generally and Gedling specifically.

### 3.3 Initial thoughts on implications

At this stage, it is not possible to be clear what all of these will mean in practice, and some are clearly more far-reaching for councils than others. Details will come forward as new proposals are progressed. But all will have some effect, and many will be significant.

This briefing note does not aim to be a detailed commentary on the proposals, though there are some immediate issues worthy of comment.

- The use of the word “rapid” with regard to abolition of the RSS illustrates the urgency the government attaches to this measure. The intent was made clearer in a letter from the Secretary of State received on 28 May, which confirmed the intention and indicated that this should be a considered material planning consideration with regard to decisions currently being taken. This is likely to have a profound impact on how the Local Development Framework (or its successor) is progressed, and officers have started to look into these implications, as far as is possible at this early stage.

- A Council Tax freeze may impact on the Council's Medium Term Financial Strategy, if not accompanied by a compensatory adjustment in grant.

#### **4. QUEEN'S SPEECH**

The issues included in the Queen's Speech give an idea of which are considered by the government to be the most urgent, though this only reflects those aspects of the programme requiring parliamentary legislation for their implementation – some proposals will be progressed through orders or other mechanisms not requiring parliamentary approval.

The Queen's Speech included 24 separate bills. The main bills affecting local government are: -

- Decentralisation and Localism bill – which includes significant issues related to local government and is expanded below.
- Academies Bill – allowing more schools to become academies – of particular relevance to upper tier authorities
- Energy Security and Green Economy Bill – covering improved access to energy efficiency for householders; improved energy security and greater levels of low carbon energy generation
- Freedom (Great Repeal) Bill – which tightens CCTV usage, amongst many other proposals
- Health Bill – patient led; reducing bureaucracy and quangos
- Local Government Bill – Specifically to revoke the orders passed by previous government to establish unitary Norwich and Exeter, and stop the proposed reorganisation in Suffolk
- National Insurance Bill –apparently increasing employee and employer contributions from 1 April 2011 (which impacts LG pay bill)
- Police Reform and Social Responsibility Bill – Includes introduction of directly elected individuals
- Public Bodies (Reform) Bill – Abolishing a number of public bodies (not at this point named) and giving ministers more power to review. Limits powers of other public bodies.

All can be found listed at the Number 10 website

<http://www.number10.gov.uk/queens-speech/2010/05/queens-speech-public-bodies-reform-bill-50682>

Of all the bills above, the one with the most direct significance for local government is the Decentralisation and Localism Bill.

Its stated aims are: -

- Empowering local people
- Freeing local government from central and regional control
- Giving local communities a real share in local growth
- A more efficient and more local planning system

Its main components are: -

- Abolition of Regional Spatial Strategies.
- Return of decision-making powers on housing and planning to local councils.
- Abolition of the Infrastructure Planning Commission and replace it with an efficient and democratically accountable system that provides a fast-track process for major infrastructure projects.
- New powers to help save local facilities and services threatened with closure, and giving communities the right to bid to take over local state-run services.
- Abolition of the Standards Board regime.
- Giving councils a general power of competence.
- Requiring public bodies to publish online the job titles of every member of staff and the salaries and expenses of senior officials.
- Giving residents the power to instigate local referendums on any local issue and the power to veto excessive council tax increases.
- Greater financial autonomy to local government and community groups.
- Creating Local Enterprise Partnerships (to replace Regional Development Agencies) – joint local authority-business bodies brought forward by local authorities to promote local economic development.
- Form plans to deliver a genuine and lasting Olympic legacy.
- Outright abolition of Home Improvement Packs.
- Creation of new trusts that would make it simpler for communities to provide homes for local people.
- Review of the Housing Revenue Account.

Many of these deliver a number of pledges in the coalition programme. What they mean in practice depends on the detail included in the Bill and officers will look for the earliest possible draft of the bill to be made available to assess the implications.



## 5. BUDGET AND RELATED IMPLICATIONS

In its 24 May announcement, the Treasury indicated that Local government as a whole will be expected to contribute £1.165 million towards the total £6.2 billion savings for the current year. Formula grant – the government's core grant to local authorities – will not be reduced this year, but some individual grants will be reduced. Ring-fencing of a number of specific grants will be removed, offering more flexibility to local authorities over where savings can be made.

Specifically in Gedling, the following grants are affected:

- **LABGI (Local Authority Business Growth Incentive)**  
This package of £150m funding over 2 years has been completely withdrawn. The Council's medium term financial strategy assumed grant of £80,000 in the current year and £160,000 in next year only.
- **Housing and Planning Delivery Grant**  
This performance grant has been withdrawn in this and future years, reducing the Council's expected income by £100,000 per annum. There is speculation that new encouraging incentives for house building will be introduced in the future but no details have yet been announced.
- **LAA Reward Grant**  
Funding in the current year has been halved and further funding withdrawn. This is likely to reduce expected income by £150,000 in both revenues and capital budgets.
- **Regional Housing Board Grants**  
These have been reduced, although specific amounts are not available, pressure on funding Private Sector Renewal Grants can be expected
- **Over 60s Swim**  
This two year grant has been removed with effect from 31 July 2010 resulting in reduced grant of £25,000. It is expected that this can be mitigated by withdrawal of the concession.

### Other Grants

The Council attract a range of mainly capital grants via other awarding bodies who themselves face significant budget reductions. It is, therefore, considered that over £2m of capital grants via EMDA, growth point and play builder could be at risk.

On 8 June, the Treasury announced details of the forthcoming spending review and the principles that will underpin it. These details will underpin the

Comprehensive Spending Review to take place in the Autumn, which will set out government spending for the next three years. Full details can be found at

[http://www.hm-treasury.gov.uk/d/spending\\_review\\_framework\\_080610.pdf](http://www.hm-treasury.gov.uk/d/spending_review_framework_080610.pdf)

Particular attention is drawn to the prioritisation criteria government departments are being asked to consider to ensure value-for-money in public spending. The specific questions to be considered are: -

- Is the activity essential to meet government priorities?
- Does the government need to fund this activity?
- Does the activity provide substantial economic value?
- Can the activity be targeted to those most in need?
- How can the activity be provided at lower cost?
- How can the activity be provided more effectively?
- Can the activity be provided by a non-state provider or by citizens, wholly or in partnership?
- Can non-state providers be paid to carry out the activity according to the results they achieve?
- Can local bodies as opposed to central government provide the activity?

The document also stresses that the review will be used to progress the government's plan to promote radical devolution of power and greater financial autonomy to local government.

#### Emergency Budget 22 June 2010

The budget announced a range of measures that has impact on the Council's finances as detailed below:

- The government will help low-spending Councils in England to freeze council tax for one year from April 2011.
- VAT will increase to 20% from 4 January 2011.
- £17bn cuts in departmental spending by 2014-2015, unprotected departments face an average real cut of around 25% over four years. This signals the likelihood of significant cuts to the Council's Revenue Support Grant over the next four years.

- A two year pay freeze for public sector workers earning of £21,000 pa, lower earners will get a flat pay rise of £250 in both years. As a significant portion of our employees earn less than £21,000 this gives an effective pay award above that provided for in the Council's Medium Term predictions.
- The Housing Benefit system will be reformed – maximum limit of £400 per week will be introduced.
- From April 2011, the threshold at which employers start to pay National Insurance will rise by £21 per week above indexation. This has limited impact on the Council and does not mitigate against the other losses indicated above.
- A temporary increase in the level of small business rate relief for one year from October 2010, this will increase the Council's admin costs but these costs are unlikely to be significant.

In addition an independent commission will examine the funding of public sector pensions and will consider the case for short term savings. The commission will report in September 2010.

A comprehensive spending review will now take place to identify how and where £17bn of departmental spending cuts will take place. This is likely to be the first indication of changes to the main government grant given to support local authorities and will be announced on 20 October 2010.

In summary the total measures announced in the 2010/11 savings programme and the first indications from the Emergency budget suggest a more difficult budget for this Council than first envisaged.

The pay award to "lower paid" public sector workers has significant impact at this authority, cuts to the Housing and Planning Delivery Grant will not be offset by changes to employers NI contributions and reductions in Departmental Expenditure Limits are of the upper end of the expected projections and, therefore, greater than anticipated in the Medium Term Financial Plan. Although the exact detail cannot be calculated until local government settlement figures have been agreed (likely to be late November) budget cuts now look inevitable and are likely to be more significant than originally envisaged.

## 6. RECOMMENDATIONS

- Members are **recommended** to note the report.

**COALITION PROGRAMME FOR GOVERNMENT – ISSUES WHICH MAY  
IMPACT INDIRECTLY**

- Promote small business procurement – an aspiration for 25% of government contracts to go to SMEs
- Oblige the police to publish detailed local crime statistics monthly to hold the police to account for their performance
- Promote better recording of crimes against disabled, transgender and homosexual people
- Maintain free entry to national museums and galleries
- Use cash in dormant betting accounts to improve local sports facilities and support sports clubs
- Undertake a fair pay review in the public sector to implement their 20x pay multiple
- Take SureStart back to its original purpose of early intervention, increasing its focus on neediest families
- New protections for whistleblowers in the public sector
- Directly elected individuals on the board of PCTs with the rest of the PCT Board appointed by the relevant local authority(ies)
- PCT responsible for local public health, working closely with the local authority
- A right for local authorities to challenge significant proposed closure of local health services
- Strengthened Care Quality Commission
- Improved vocational education for 14-19 year-olds, with new Technical Academies
- A right for public sector workers to form employee-owned co-operatives and bid to take over the services they deliver
- Reform the way transport projects are prioritised so that benefits of low carbon proposals (including light rail schemes) are fully recognised