

# 6

## STRONGER COMMUNITIES AND A BETTER QUALITY OF LIFE

Public services play a crucial role in building flourishing communities and enabling individuals to lead healthy and fulfilling lives. To respond to the rising aspirations of the British people and the desire for stronger, safer, more sustainable communities, the Government is:

**Delivering modern and responsive health and social care by:**

- increasing spending on the NHS by 4 per cent a year in real terms, taking its budget from £90 billion in 2007-08 to £110 billion by 2010-11, and delivering the vision set out by the Darzi Review for a health service which is fair, personalised, effective, safe and locally accountable; and
- funding the delivery of more personalised adult social care that will give people greater choice and control, and announcing plans to consult on reform of the adult care and support systems.

**Increasing access to decent and affordable homes by:**

- delivering the target of 2 million new homes by 2016, by increasing spending on housing from £8.8 billion in 2007-08 to £10 billion by 2010-11, reforming the tax and planning systems, and laying the ground for new planning charges to support essential investment in infrastructure.

**Building strong and cohesive communities by:**

- strengthening the role of local authorities to reshape local services around the individuals, families and communities that use them – underpinned by resource growth of 1 per cent a year in real terms over the CSR07 period, which the Government expects will enable the overall council tax increase to stay well below five per cent in each of the next three years; and
- maintaining funding in real terms for the arts, museums and galleries, and ensuring a lasting cultural and sporting legacy for the nation by contributing £3.6 billion to the first phase of the construction costs of the Olympics over the next three years.

**Building safe and secure neighbourhoods by:**

- increasing resources for the Home Office by 1.1 per cent a year in real terms over the CSR07 period, with an addition of over £220 million by 2010-11 to enable it to lead the fight against terrorism, alongside wider steps to roll out neighbourhood policing and deliver a more effective criminal justice system; and
- protecting the UK's security by increasing spending on counter-terrorism, intelligence and resilience from £2½ billion in 2007-08 to £3½ billion in 2010-11, within a new single security and intelligence budget for counter-terrorism.

**6.1** Stable growth with high employment and low inflation provide the platform for rising living standards, while world-class standards of education and a modern tax and benefits system help to expand opportunity, ensure fairness and deliver security for the most vulnerable. Beyond providing for these material requirements, public services also play a crucial role in building the foundations of communities and enabling individuals to lead healthy and fulfilling lives. This chapter sets out four Government priorities for the next decade to respond to the aspirations of the British people and the desire for stronger, safer, more sustainable communities:

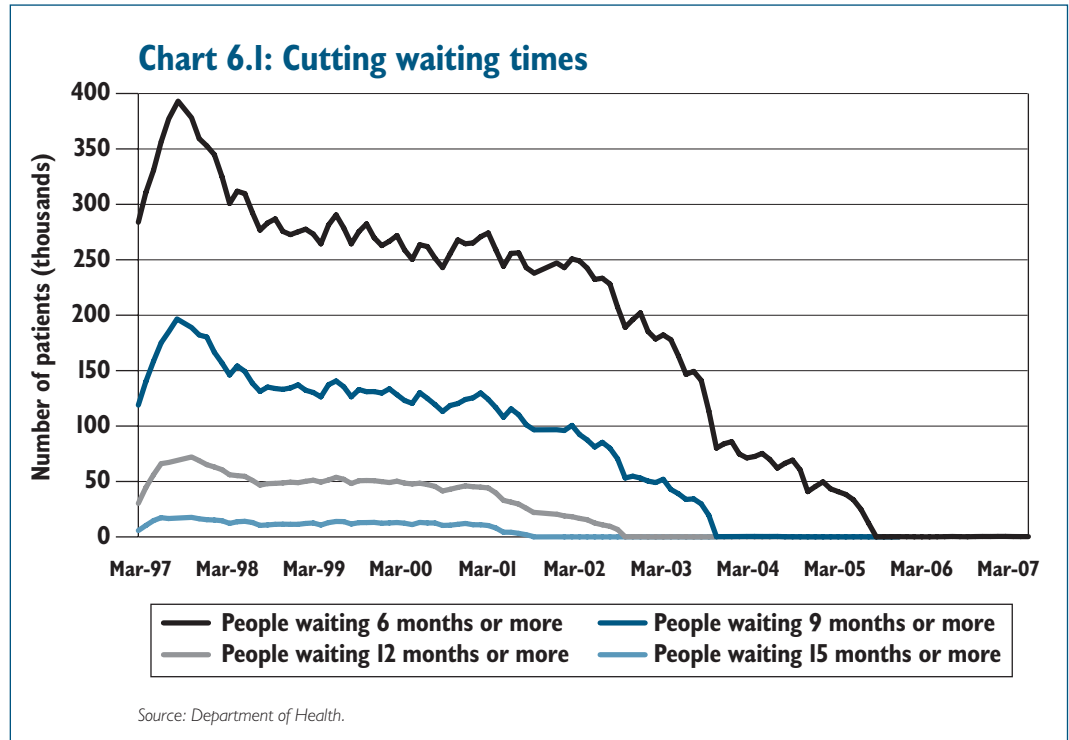
- **delivering modern and responsive health and social care** fit for the 21st century – giving people real choices, more local care, greater control over their health, and support to remain independent wherever possible;
- **ensuring more people have access to a decent home at an affordable price**, in the place they want to live and work – meeting the rising demands of a growing population;
- **building strong and cohesive communities**, by investing in the shared public institutions and facilities that support thriving social networks, with a revitalised role for local authorities and the third sector to reshape services around the communities that use them; and
- **building safe and secure neighbourhoods**, by continuing to invest in the police and security services to lead the fight against crime and terrorism, and working with local communities to tackle the root causes of these threats.

## MODERN AND RESPONSIVE HEALTH AND SOCIAL CARE

### Progress over the last decade

**6.2** The Wanless Review of 2002 argued that while the NHS of 1997 had the right system of funding, it lacked the investment and capacity needed to deliver the standards of healthcare achieved in other leading countries. One highly visible result of this was the 284,000 people then waiting more than six months for an operation, with some waiting as long as two years. The Government responded with a major programme of investment, with resources almost doubling in real terms since 1997 to over £90 billion this year, delivering unprecedented investment in services, equipment, buildings and staff. The introduction of more demanding clinical standards has been accompanied by reforms to ensure that people's needs and wishes are put at the heart of services, through greater choice and a drive to support people at home and in their own communities. Steps have also been taken to raise productivity growth, ensuring further advances are delivered with value for money for the taxpayer. This has delivered:

- over 79,000 more nurses and 36,000 more doctors, 90 per cent more heart and cataract operations and over twice as many knee replacements compared with 1997;
- falling waiting lists in the NHS, waits of over six months virtually eliminated as shown in Chart 6.1; and
- 14 per cent reductions in the number of deaths from cancer and 31 per cent from heart disease – in total, over 200,000 lives have been saved since 1996 as a result of reductions to mortality rates from cancer and circulatory diseases among people aged under 75.



### Challenges for the next decade 6.3

Having addressed the capacity constraints of a decade ago, the key challenge now is to deliver a more responsive and personalised NHS, focused not just on treating illnesses but on achieving good health for all. However, the social and demographic context for delivering these goals is becoming more challenging. The UK population is getting older, with the number of people aged over 85 increasing by around a quarter over the next decade – placing increasing demands on health and social care. Rising levels of obesity are also adding to the pressures on the health system, and fifteen million people with long-term needs, such as diabetes, stroke, high blood pressure or cardiovascular conditions, need better prevention and earlier care. Despite the improvements of the past decade, there are still wide inequalities, with the poorest areas seeing the poorest health outcomes.

6.4 Alongside these demographic and social changes, new technologies are advancing the frontiers of medical knowledge, creating new cures and treatments that will transform the daily lives of millions of patients. At the same time, expectations of the health service have increased year on year, and will continue to do so. People expect real choices, more local care, greater control over their health, and support to remain independent wherever possible.

### Building a NHS fit for the 21st century 6.5

An increasingly collaborative approach between healthcare professionals and patients will be needed to respond to these challenges and opportunities, focusing on prevention and promoting individual responsibility for health and wellbeing; and delivering services in more local settings in a way that is genuinely flexible, integrated and responsive to people's needs and wishes. The Government therefore asked one of the world's leading surgeons, Lord Ara Darzi, to lead a review of how to meet the challenges of delivering health care over the next decade. Following discussions with patients, doctors, nurses, and many other health professionals, Lord Darzi published his interim review on 4 October, the findings of which are outlined in Box 6.1.

**Box 6.1: Interim findings of the NHS Next Stage Review – Our NHS, Our Future**

The NHS Next Stage Review, led by Lord Ara Darzi, was launched in July 2007 to advise on how to meet the challenges of delivering health care over the next decade. Following extensive consultation, Lord Darzi published an interim report on 4 October laying out the core principles for his vision for the NHS:

- **fair** – equally available to all regardless of circumstances – and making best use of resources;
- **personalised** – to the needs and wants of each individual, especially the most vulnerable; providing access to the health services most suited to every individual at the time and place of their choice; and with clinicians and individuals working closely together in partnership to improve health as well as treat illness;
- **effective** – focused on delivering outcomes for patients that are among the best in the world – saving more lives and improving the quality of life;
- **safe** – giving patients and the public the confidence they need in the care they receive; and
- **locally accountable** – empowering staff locally to lead change and innovate, ensuring that change is based on the best clinical evidence and meets local needs, with patients and the public consulted to ensure they shape and champion their own local services.

The review will report finally to the Prime Minister, Chancellor and Secretary of State for Health before the NHS's 60th anniversary in July 2008.

**6.6** To provide the platform for delivering this vision, **the Government is increasing resources for the NHS by 4 per cent a year in real terms over the CSR07 period, taking total expenditure up to £110 billion by 2010-11, compared with £35 billion in 1997-98.** These resources will be supported by value for money savings releasing at least £8.2 billion to the frontline by 2010-11. Together these will fund the delivery of **two new PSAs to promote better health and wellbeing for all and to ensure better care for all**, implementing the vision set out in the Darzi review to secure:

A fair NHS by:

- introducing a new comprehensive strategy to reduce health inequalities in life expectancy and infant mortality; and
- investing in programmes to tackle childhood obesity, to reduce the number of obese and overweight children to 2000 levels by 2020.

A more personalised NHS by:

- providing greater choice and convenience for patients by improving GP access, with £250 million for 150 new walk-in health centres open 7 days a week from 8 until 8, and over 100 new GP practices in the areas with the poorest provision;
- delivering the commitment to reduce maximum waiting times to 18 weeks from GP referral to hospital treatment by the end of next year;
- providing better support for those with long-term illnesses to live independently and control their own condition, including by moving towards a care plan for every person with a life-limiting illness; and

- providing better maternity care including more choice for women during pregnancy and birth.

An effective NHS by:

- establishing a new Health Innovation Council to increase innovation across the NHS; and
- increasing funding for the Department of Health's research and development programme to over £1 billion by 2010-11, and with investment from the science budget fully funding the Cooksey Review<sup>1</sup> recommendations to maximise translation of research excellence into health and economic benefit.

A safe NHS by:

- ensuring visibly cleaner hospitals, with increased powers for matrons to tackle MRSA and the introduction of screening for all elective patients next year, and for all emergency admissions as soon as practicable within the next three years.

## Empowering people to live independent lives

### Supporting independence

**6.7** Regardless of age, every individual should be able to contribute to his or her community, treated with dignity and respect, and given choice and control in the way they lead their lives, free from the fear of poverty and neglect. Many older people need help to prolong their independence and maintain their wellbeing, whether this is in their own home or in residential or nursing care. This help may include practical support in their daily lives and financial support from the state to pay for these services or to help with the extra costs of disability. In this, there is an underlying assumption that there is a joint financial responsibility between the Government and the individual or family.

### Adult social care

**6.8** Adult social care plays a central role in protecting and promoting independence and wellbeing among some of the most vulnerable groups in society. Investment in local authorities, which provide adult social services, will be £2.6 billion higher in 2010-11 than in 2007-08, representing annual average growth of 1 per cent in real terms. **Growth in the Department of Health's social care funding, which directly supports new policy initiatives, will increase by £190 million, taking it to £1.5 billion by 2010-11.** This funding will enable local authorities to build on progress already made in developing personalised services that give people and their carers greater choice and control over the way in which their needs are met. In particular this investment will enable:

- **further expansion of care tailored to the individual, including through individual budgets** (which enable service users to commission their own care), subject to a thorough evaluation to be completed in 2008, enabling people to stay independent and in control of their lives;
- **continued investment in prevention, enabling people to retain their independence and improve their quality of life.** This includes a national roll-out of the Partnership for Older People's Projects; and

<sup>1</sup> A Review of UK health research funding, Sir David Cooksey, December 2006. Available at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

- the phasing out of NHS residential accommodation for those with learning disabilities, with individuals being supported to live independently in their own homes and communities.

**Future challenges for social care** 6.9 Expected demographic trends over the next 20 years and beyond will result in a substantial increase in the number of older people in need of care and support. The current system of state support, conceived and operated for the 20th century, appears unlikely to be able to target state resources most effectively or meet 21st century aspirations for the quality of life of older people. To achieve these goals requires more than incremental investment in the current social care system. A radical rethink is required of the way the state supports people to retain their independence. As set out in more detail in Box 6.2, the Government plans to produce a Green Paper on reform to the care system, with a focus on older people.

**Box 6.2: Long-term sustainable funding for people in need of care and support: the opportunity for reform**

As noted in the 2006 Pre-Budget Report, recent reports from Derek Wanless for the King's Fund, the Joseph Rowntree Foundation and others have made important contributions to the growing debate around the need for change to the care and support system for older people. These reports highlight the potential benefits for older people of reform to the care and support system. The Government welcomes the contribution of these assessments but also believes that the case for reform might be extended to all those adults receiving care and support. It will now undertake work to look at reform options and consult on a way forward.

The Government has three requirements for reform: it must promote independence, well-being and control for those in need; be consistent with the principles of progressive universalism; and it must be affordable.

The Government believes that there are real opportunities for reform within a system that shares the cost between the individual and the state and that provides both universal and progressive elements. Greater overall benefits for individuals may also be achieved by reviewing the state systems that people are able to access for such support. There is an opportunity to replace the current systems with a new offer focusing on service users and placing the individual at the centre of these care and support systems, giving them more personal choice and control and directing state resources to where they can have the greatest impact on wellbeing.

The Government therefore intends to develop a reform strategy, and will spend the next period in consultation with public, private and third sector organisations who have contributed to the debate thus far. Next year the Government will set out a process involving extensive public engagement and ultimately leading to a Green Paper identifying key issues and options for reform.

## DELIVERING DECENT AND AFFORDABLE HOUSING FOR ALL

**6.10** The Government believes that everyone should have access to a decent home at a price they can afford in communities where they want to live and work. The sustained economic growth and stability described in Chapter 2, with low inflation and low interest rates, have helped over one million people to become homeowners over the last decade. Housing supply grew by over 185,000 net additional homes last year, the highest level since the 1980s, and investment in social housing has reduced the number of households living in non-decent homes by over one million.

**6.11** Despite this progress, significant challenges remain. The UK's ageing and growing population means that the supply of housing is still not keeping pace with rising demand. As Kate Barker's Review of Housing Supply<sup>2</sup> identified, this is contributing to declining affordability, frustrating the home ownership aspirations of many individuals and families. Failing to respond to new patterns of housing demand has the potential to increase social inequality and reduce labour mobility by forcing up living costs – damaging the flexibility and performance of the UK economy. In responding to this growing demand, the challenge of climate change makes it imperative that new homes are built in a more sustainable way, given that domestic energy consumption accounts for around a quarter of the UK's carbon emissions.

**6.12** The Housing Green Paper, *Homes for the Future*,<sup>3</sup> published in July 2007 set out the Government's strategy for responding to these challenges, including a new target of over 240,000 net additional homes a year by 2016, delivering 2 million new homes by 2016 and 3 million by 2020. **The 2007 CSR provides the resources and co-ordination needed to deliver these ambitions, with a new PSA to increase long-term housing supply and affordability, underpinned by increases in spending on housing from £8.8 billion in 2007-08 to £10 billion in 2010-11.**

### Reforming the planning system

**6.13** The planning system plays a vital role in supporting these goals, ensuring that new developments are delivered in a strategic and sustainable way. The *Review of sub-national economic development and regeneration*<sup>4</sup> published in July 2007 announced proposals to move to a single integrated strategy in each region setting out housing plans alongside wider economic, social and environmental objectives; and the Housing Green Paper set out how current regional plans will be reviewed to ensure each area is on track to deliver the Government's housing growth targets. This will be supported by the recently published planning policy statement for housing (PPS3) that requires local authorities to identify enough land to deliver the homes needed in their area over the next 15 years. To provide incentives for local authorities to bring forward more housing, **the Government is announcing a new housing and planning delivery grant worth £500 million over the CSR07 period.**

### Recycling homes and land

**6.14** Alongside planning reforms, to meet its ambitious targets for new housing and tackle the problems of undersupply and declining affordability the Government will take forward wider action to promote the use of empty properties and disused land, including:

- considering further reforms to land remediation relief and the landfill tax exemption for waste from contaminated land to bring more brown-field land

<sup>2</sup> *Review of Housing Supply, Delivering Stability: Securing our Future Housing Needs*, HM Treasury, March 2004. Available at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

<sup>3</sup> *Homes for the Future*, CLG, July 2007, available at [www.communities.gov.uk](http://www.communities.gov.uk).

<sup>4</sup> *Review of sub-national economic development and regeneration*, HM Treasury, BERR and CLG, July 2007. Available at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

back into effective use. Following the consultation launched at Budget 2007, which indicated support for these reforms, a summary of responses will be published shortly, with further announcements at Budget 2008; and

- working with local authorities and other interested parties to assess the effect that the discretionary power to vary the council tax discount on long-term empty properties has had since its introduction in 2004, with the aim of identifying further options for reform in this area if there is evidence that it will improve access to housing.
- to encourage more rapid alteration or renovation of empty homes, **from 1 January 2008 the reduced rate of 5 per cent chargeable VAT will be extended to all homes that have been unoccupied for 2 years or longer, down from 3 years;**

**Infrastructure to support housing growth**

**6.15** It is essential that new housing developments are accompanied by the investment in schools, transport and other infrastructure needed to support flourishing and prosperous communities. The 2007 CSR has therefore been informed by a review into the investment needed to support the Government's housing ambitions, the conclusions of which are set out in Box 6.3. **To support this strategy over the next three years the Government is providing £1.7 billion of targeted funding for infrastructure in Growth Areas, the Thames Gateway, New Growth Points and eco-towns, including £300 million to continue the Community Infrastructure Fund over the CSR.**

**Box 6.3: Review into support housing growth**

The 2005 Pre-Budget Report announced the launch of a policy review to develop a co-ordinated, long-term approach for the delivery of infrastructure to support housing growth. At a national level the review recommended:

- appropriate prioritisation of investment to support housing growth with all major infrastructure departments signing up to the housing PSA and held accountable via the Delivery Agreement; and
- as set out in more detail in the Housing Green Paper, specific changes to the processes for allocating departmental spending to ensure timely delivery of housing related infrastructure. For example, the Department for Transport's appraisal system will be changed to better capture the value of housing.

At the local level the review recommended more coordinated infrastructure planning and delivery with mechanisms to support up-front investment, including:

- a more systematic approach to planning and delivering housing related infrastructure, involving key infrastructure providers at an early stage. Further details are set out in the Planning White Paper.<sup>5</sup> These proposals will be taken forwards as part of the Government's forthcoming consultation on Local Development Frameworks; and
- the development of bespoke funding vehicles to help fill the timing gaps before developer contributions come on stream, such as the South West Regional Development Agency's proposed Regional Infrastructure Fund, alongside existing mechanisms such as prudential borrowing or English Partnerships funding. The Government is keen to continue to work with stakeholders to address this 'front-funding' issue.

CLG will lead a programme of three month bilateral reviews with each infrastructure department to test the outcomes of this review in specific locations and for specific types of infrastructure.

**Funding for infrastructure 6.16** Kate Barker's review of Housing Supply proposed the introduction of a Planning-gain Supplement (PGS), a new levy on development to raise additional resources to invest in the infrastructure needed to support housing growth. In its response the Government accepted that local communities should benefit more from the often significant increases in land values arising from planning permission. Following extensive consultation, the Prime Minister indicated in July 2007 that the Government would be prepared to defer legislation to introduce PGS if a better way could be found to ensure that local communities receive more of the benefits from planning gain, to invest in necessary infrastructure and transport. The Housing Green Paper sought views on PGS and possible alternatives.

**6.17** Following discussions with key stakeholders, the Government will legislate in the Planning Reform Bill to empower Local Planning Authorities in England to apply new planning charges to new development, alongside negotiated contributions for site-specific matters. Charge income will be used entirely to fund the infrastructure identified through the development plan process. Charges should include contributions towards the costs of infrastructure of regional or sub-regional importance. Legislation implementing PGS will therefore not be introduced in the next Parliamentary session. Further details will be published shortly by CLG.

<sup>5</sup> *Planning for a Sustainable Future: White Paper*, CLG, May 2007, available at [www.communities.gov.uk](http://www.communities.gov.uk).

**Supporting property investment through REITs** **6.18** The UK Real Estate Investment Trusts (REITs) regime, launched in January 2007, has been a marked success. REITs aim to promote greater efficiency in the property investment market by equalising tax treatment between indirect and direct investment in property, exempting eligible property companies from corporation tax, and instead taxing their investors at marginal rates. To date 16 companies have become UK-REITs with total market capitalisation of around £30 billion. The Government has recently reviewed the viability of residential REITs and the REITs listing requirements – but has concluded that there is not at present a compelling case for change. However, the REITs regime will continue to be kept under review.

### **Making houses more affordable**

**Helping first time buyers** **6.19** Alongside steps to improve long-term affordability by building more homes, the Government recognises that more support is needed to help young people and families to buy their own homes. As part of the new housing PSA it has therefore set a target for 70,000 more affordable homes a year by 2010-11. But recognising the particular difficulties faced by first time buyers, the Government doubled the starting threshold for stamp duty land tax in Budget 2005, and increased the threshold again in 2006. Last year, a survey by the European Mortgage Federation showed that average transaction costs of buying a home in the UK was 1.9 per cent of the house price – the lowest amongst major European countries. Building on these steps, the Government will now also:

- **explore whether it can reform the stamp duty treatment of initiatives including the First Time Buyers Initiative**, to bring it into line with other shared ownership products. The Government will be assisting at least 25,000 households a year into homeownership through its shared equity and other low cost homeownership policies by 2010-11; and
- **seek to increase the affordability of longer-term fixed rate mortgages.** Relative to their incomes, first time buyers generally borrow more than home movers and so have higher interest payments and are most exposed to unexpected changes in mortgage rates (see also Box 6.4).

**Box 6.4 Housing Finance Review**

Improving the efficiency of mortgage finance markets is key to lowering mortgage costs and delivering mortgages that are well suited to the needs of households. The Government wants to see mortgage markets in which lenders can offer a wide range of products, including affordable longer-term fixed rate mortgages of ten years or more, which can give consumers greater certainty of their regular mortgage payments.

The Housing Finance Review, launched in July of this year and reporting at Budget 2008, aims to tackle the remaining barriers to the efficient supply of mortgage finance. The Review will take account of other countries' experiences and build on work already underway, such as the Treasury's consultation<sup>a</sup> on legislative proposals for a covered bonds regime and the Private Members Bill on building society funding which is currently progressing through Parliament. The Review team has already held discussions with a number of mortgage lenders, investment banks, regulators, consumer groups and academics, and has identified several priority areas for investigation:

- **Debt Management Office (DMO) issuance of hedging instruments:** the Miles Review<sup>b</sup> proposed that the DMO consider issuing specific derivatives which may help mortgage lenders to hedge longer-term fixed rate mortgages more cost effectively, and in turn pass on the benefit to households. Together with the DMO, the Review team has begun a full investigation into the benefits and costs of this strategy within the existing DMO mandate of minimising the cost of meeting the financing needs while taking account of risk and ensuring consistency with monetary policy.
- **Wholesale funding markets:** well functioning wholesale funding markets are an essential part of a diversified and efficient mortgage finance system. Initial consultations with external stakeholders suggest greater transparency in this market would be beneficial to both mortgage lenders and investors. The Review will consider measures to improve the operations and transparency of the wholesale market, learning from the experiences of other countries.
- **Shared equity schemes:** the Shared Equity Task Force report explained how sharing the equity in a home can be an affordable and sensible way for households to access home ownership. Over the next three years the Government will be assisting 25,000 households a year into homeownership through the shared ownership and shared equity programmes and other policies, with scope for the private sector to help many more. The Review will contribute to the work that CLG are undertaking to follow up on the Task Force report and the development of the shared equity market.

Efficient mortgage markets also require that borrowers are able to make well-informed decisions. The Thoresen Review is developing options aimed at giving consumers greater access to generic financial advice. The Financial Services Authority is continuing its programme of work to improve standards and deliver fair consumer outcomes, including by undertaking reviews of the quality of advice provided to consumers, with a major review of firms' processes reporting in June 2008. A second phase of consultations is due to begin at the end of October.

<sup>a</sup> *Proposals for a UK Recognised Covered Bonds legislative framework*, HM Treasury, July 2007.

<sup>b</sup> *The UK Mortgage Market: Taking a longer-term view*, David Miles, March 2004.

**Shared ownership** **6.20** The Government will also continue to provide direct assistance to homebuyers through its shared equity and shared ownership programmes, which will help over 120,000 households to enter homeownership by 2010-11. Recognising the key role of charitable Registered Social Landlords (RSLs) in supporting these programmes, the Government has worked with the housing sector and others since Budget 2007 in producing shared guidance and setting up an HMRC procedure to provide the housing sector with greater tax certainty on its affordable housing activities.

**Social housing and homelessness** **6.21** Alongside these steps to extend private ownership the Government will continue its long-term commitment to increase the quality and availability of social housing, by investing over £6.5 billion over the next three years to deliver 45,000 new units of social housing a year by 2010-11. As set out in Chapter 5, the Government will also take further steps to prevent homelessness, aiming to reduce the number of households living in temporary accommodation by 50 per cent by 2010-11 and increasing the number of people that move into settled accommodation.

**Improving the mortgage market** **6.22** Alongside these measures, the Government wants to ensure that mortgage finance markets operate as efficiently as possible. In July this year the Chancellor announced the launch of a Housing Finance Review, reporting at Budget 2008, which will work closely with the industry to identify any remaining barriers to lenders supplying mortgage finance, including longer-term fixed rate mortgages. Further details are set out in Box 6.4.

## Regeneration and renewal

**Neighbourhood renewal** **6.23** The review of sub-national economic development and regeneration set out the Government's approach to delivering economic prosperity and tackling deprivation in all regions, placing local authorities at the heart of economic development and regeneration, supported by the Regional Development Agencies and stronger cross-government coordination. Following this review, **the Government is establishing a new enterprise and renewal fund as part of the £2 billion allocated over the CSR07 period for neighbourhood and local renewal.** This new fund will focus more intensively on the worst deprived areas, with a stronger emphasis on tackling worklessness, promoting enterprise and improving skills, and a new reward element to strengthen incentives to improve performance. Further details will be set out later this year.

**Homes and Communities Agency** **6.24** Local authorities will be supported in their regeneration role by the new Homes and Communities Agency, which will combine English Partnerships, the Housing Corporation and key delivery functions from CLG. In addition to its role supporting housing growth and delivering affordable housing, the new agency will provide the powers, skills and resources to help regenerate some of the most deprived areas of the country. The new agency will bring together housing-led regeneration programmes, building on work already underway through Market Renewal Pathfinders and Decent Homes, and will continue to use the Private Finance Initiative and stock transfers to improve the quality of housing.

## BUILDING STRONG AND COHESIVE COMMUNITIES

**6.25** Public services have a key role to play in enabling individuals and families to realise their potential and fulfil their aspirations. However, the Government believes that the value of public services extends far beyond this. Investment in the public realm is not just about providing the services needed by individuals, but about creating shared institutions that provide the hub for thriving social networks, building a sense of community, civic pride and belonging. Public spaces – whether they are schools, local health centres, sports facilities, museums, Sure Start centres or youth clubs – bring people together and enable them to build strong communities.

**Community cohesion** **6.26** While socio-economic trends such as globalisation, migration and technological advances generate greater wealth and new opportunities, they also bring the risk of wider divisions between people of different social groups, together with diminishing participation in local life and the public sphere. Despite these pressures, the last Citizenship Survey in 2005 found that community cohesion was strong in most areas of Britain: for example, 80 per cent of people agreed that they lived in an area where people from different backgrounds got on well together, and 20.4 million people were regularly volunteering, an increase of 2 million compared with 2001. The Government's efforts over the last decade to tackle social exclusion, ensure equality of opportunity for all, promote volunteering, and build an understanding of citizenship both in schools and wider society have played an important role in this respect.

**6.27** Recognising that it must build on this progress and respond to the growing desire across Britain for stronger communities in a rapidly changing world, **the Government is setting a new PSA to build more cohesive, empowered and active communities.** At the heart of this PSA is a vision of communities in which there are shared values and a sense of belonging; strong and positive relationships are developed between people of different backgrounds and circumstances within each neighbourhood; and a wide range of people in each community volunteer on a regular basis, get involved in local projects and participate in cultural and sporting events. Local government and third sector organisations will play a leading role in delivering this vision, as set out in more detail below.

### Strengthening the role of local government

**6.28** The 2006 Local Government White Paper, *Strong and Prosperous Communities*, set out the Government's strategy for strengthening the role of local authorities to reshape local services around the individuals, families and communities that use them, with less top down control from central government. Sir Michael Lyons advanced this vision in his final report<sup>6</sup> on the role and funding of local government published alongside Budget 2007, in which he set out the critical function of local authorities in 'place-shaping' – acting as the locus for citizens and communities to shape their areas according to their priorities.

**6.29** **The 2007 CSR increases the resource budget for local government by an average 1 per cent per year in real terms over the next three years,** providing the sustained resources needed to underpin this vision. The Government expects this will enable the overall council tax increase to stay well below five per cent in each of the next three years. Building on the proposals set out in *Strong and Prosperous Communities*, the 2007 CSR marks a significant step forward in the Government's commitment of devolution to the local level, developing a new relationship with local authorities based on greater trust and flexibility with:

- **a significant reduction in the level of funding provided through specific and ring-fenced grants, with over £5 billion by 2010-11 to be mainstreamed into the Revenue Support Grant or Area-Based Grant;**
- **a streamlined performance management framework through a single set of 198 performance indicators for local government and no mandatory targets for Local Area Agreements; and**
- **new powers for local authorities, working with businesses, to raise supplementary business rates and proposals to better reward authorities for economic growth in their areas.**

<sup>6</sup> *The Future role of the third sector in social and economic regeneration: final report*, HM Treasury, Office of the Third Sector, July 2007. Available at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

## Working with the third sector

**6.30** Over the next ten years the Government wants to put the third sector at the heart of work to build strong, active and connected communities, with local government acting as the most important driver in building this relationship. Budget 2006 therefore announced that the 2007 CSR would be informed by a review into the future role of the third sector in social and economic regeneration. Following the largest ever consultation with the sector, the final report of the review was published in July 2007,<sup>7</sup> setting out a new strategy for building the Government's relationship with the third sector. The review's recommendations are summarised in Box 6.5.

### **Box 6.5: The future role of the third sector in social and economic regeneration**

Key announcements in the new strategy for building the Government's relationship with third sector, published in July 2007 and led by the Office of the Third Sector, include:

- a greater focus on enabling the third sector's role in campaigning and representation, including investment in innovative consultation approaches and better use of the Compact agreement with government to protect the right of organisations to campaign;
- a new £50 million local endowment match fund enabling local independent foundations to develop community endowments to provide sustainability in future grant making, building on the £80 million small grants programme for community action announced in Budget 2007;
- at least £10 million of new investment in community anchor organisations and community asset and enterprise development, in addition to the £30 million Community Assets Fund announced in the 2006 Pre-Budget Report;
- £117 million of new resources for youth volunteering, building on the work of v, the charity established by the Government in 2004 to develop a new framework for youth volunteering;
- building the capacity of third sector organisations to improve public services, investing up to £65 million Futurebuilders Fund and better training for commissioners of public services;
- additional investment to raise awareness of the social enterprise business model and support for departments to investigate its potential to support service delivery; and
- over £85 million of new investment for third sector infrastructure development through Capacitybuilders, with new programmes on voice and campaigning, social enterprise and a focus on reaching down to the smallest community groups.

### **Supporting public services**

**6.31** The Government's new performance framework also recognises the valuable contribution that a thriving third sector can make to the transformation of public services and the engagement of the public in the design and delivery of services. To support this, the third sector will be a key delivery partner across the full set of Public Service Agreements, particularly in the areas of youth services, access to employment, waste and recycling, and community transport; as well as specifically contributing to the PSA to build more cohesive, empowered and active communities through increased volunteering and growth in social enterprise.

<sup>7</sup>The future role of the third sector in social and economic regeneration, HM Treasury and Cabinet Office, July 2007. Available at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

**Reforming third sector funding 6.32** Creating a stable funding system for third sector organisations is essential to secure the long-term strength and success of the sector. The Government is therefore setting a new expectation across government that three year funding plans for third sector organisations will become the norm rather than the exception over the CSR07 period. This will ensure that third sector organisations are able to make medium and long-term commitments to serve their beneficiaries, as well as recruit, retain and invest in skilled and well-motivated staff.

**Unclaimed assets 6.33** The 2005 Pre-Budget Report set out the Government's proposals to allow unclaimed assets to be reinvested in society. The bank and building society sector has been instrumental in taking these plans forward, enabling proposals for legislation to be included in *The Governance of Britain: The Government's Draft Legislative Programme*. The Government has also released two consultation documents this year on the scheme's operation and distribution of assets, which it will respond to shortly.

## Promoting sports and culture

**6.34** Over the last decade the Government has delivered record levels of investment in cultural and sporting activities, recognising their value in raising people's quality of life and bringing communities together. Funding for museums and galleries has increased by around 30 per cent, which by enabling free access for all has helped increase visitor numbers by 60 per cent. The Government will build on this investment in the CSR07 period to encourage more people to lead an active lifestyle and to ensure the UK's reputation for creativity and cultural excellence continues, including by:

- **maintaining funding in real terms for the arts, museums and galleries, ensuring the continuation of free access to national museums and contributing to the staging of the Cultural Olympiad;** and
- **delivering an improved offer of 5 of hours school sports a week for all children aged 6 to 19.**

**Delivering the Olympics 6.35** Over the next three years the Government will also drive forward preparations for the 2012 Olympic and Paralympic Games, including developing the Olympic Park and delivering a lasting cultural and sporting legacy for the nation, with benefits for tourism, skills and employment across the country. To galvanise the cross-government collaboration needed to deliver this complex programme, **the Government is setting a PSA to deliver a successful Olympic and Paralympic Games with a sustainable legacy, including encouraging more children and young people to take part in high quality physical education and sport.**

**6.36** In March 2007, the Government announced a total budget of £9.325 billion for the 2012 Olympic Games and Paralympic Games, funded through central government (£5.975 billion), the National Lottery (£2.175 billion) and the Mayor of London (£1.175 billion). As the first part of this funding package, **the 2007 CSR makes full budgetary provision for central government's contribution of £3.623 billion that falls due over the next three years**, which alongside contributions from the National Lottery and London, put preparations for 2012 on a sound financial footing far earlier than any previous host city.

## SAFE AND SECURE NEIGHBOURHOODS

### A fair and effective criminal justice system

**6.37** Reducing levels of crime is an essential step to creating an environment in which strong communities can flourish. The Government has therefore increased spending on public order and safety by over 50 per cent in real terms since 1997, which together with reforms across the criminal justice system have helped to deliver significant improvements. The number of offences brought to justice has increased by 40 per cent in the last five years, overall crime has fallen by around a third in the last ten years, the fear of crime has reduced and re-offending rates fell by 6.9 per cent between 1997 and 2004.

**6.38** The priority now is to respond to the needs of a changing, more mobile and diverse society, driving up public confidence in the system and improving the experience of victims and witnesses. More needs to be done to tackle the root causes of crime and disorder, and to ensure that lower level offending and anti-social behaviour are dealt with swiftly and efficiently so that a greater focus can be given to tackling more serious offences. To provide the cross-departmental focus needed to deliver these goals, **the Government is setting three new PSAs to:**

- **make communities safer** – which will focus on reducing serious violent and acquisitive crimes, establishing a framework to deliver local priorities to cut crime and anti-social behaviour and reduce re-offending;
- **deliver a more effective, transparent and responsive Criminal Justice System for victims and the public** – bringing offenders to justice through simple and efficient processes and strengthening public confidence in the fairness of the system; and
- **reduce the harm caused by alcohol and drugs** – improving treatment for drug users, and for the first time extending this focus to alcohol misuse, thereby reducing the harm to communities as a result of associated crime, disorder and anti-social behaviour.

**6.39** To help deliver these goals total resources for the Home Office, Ministry of Justice and Law Officers' Departments will increase by £1.3 billion by 2010-11, which combined with value for money savings of £2.5 billion will enable the Government to:

- implement the recommendations of its new crime strategy,<sup>8</sup> which sets out the priority areas for action and a new, more tailored approach to combating different types of crime, together with steps to tackle the most intractable problems relating to offending such as mental health problems and alcohol and drug related offending;
- deliver 9,500 new prison places, with firm plans already in place to deliver 8,500 by 2012. This builds on the 20,000 increase in prison capacity since 1997 and the strengthening of the probation service with 7,000 extra staff. The Government will continue to invest in reducing reoffending, building on the reductions already achieved through the development of offender management and much closer partnership working at national, regional and local levels;
- complete the roll-out of Neighbourhood Policing Teams in every neighbourhood across England and Wales by 2008, enabling the police to understand and address local concerns and priorities, build trusting

<sup>8</sup> *Cutting Crime, a new partnership 2008-11*, Home Office, July 2007. Available at [www.homeoffice.gov.uk](http://www.homeoffice.gov.uk).

relationships with communities to facilitate better flows of information, and work more effectively with other local delivery agencies. This community focused approach will be complemented by the extension of the community justice model developed in Liverpool and Salford to a further ten areas, with a longer-term aim of rolling it out across the country;

- developing and consulting on a new drugs strategy, to build on the current 10 year strategy which ends in 2008. This will be accompanied by the updated alcohol strategy,<sup>9</sup> which focuses on the minority of drinkers who cause or experience the most harm to themselves, their communities and their families; and
- complete the implementation of the 'simple, speedy, summary' reforms in all 360 magistrates' courts in England and Wales, enabling district judges, defence, prosecutors, police, courts and probation service to work more effectively together to reduce delays and improve efficiency. In the four test areas most simple cases were completed within six weeks from charge to disposal, down from a current average of 21 weeks.

### Controlling the UK's borders

**6.40** Increased globalisation brings significant economic and cultural gains to the UK, but also increases the importance of delivering a secure and efficient system of border control. The Government has already begun delivering the e-Borders programme which will enable the electronic screening of all passengers as they check in to travel to the UK. This will allow journeys to be recorded and individuals to be counted into and out of the country. The pilot to this scheme has already issued over 15,000 alerts on those crossing the UK's borders, which have resulted in over 1,200 arrests. This programme will be rolled out over the CSR07 period, covering 95 per cent of all passenger movements across UK borders by 2010-11. In addition a new Unified Border Force will strengthen the powers and surveillance capability of the agencies that work to control immigration, tackle crime and facilitate travel and trade. This will integrate the work of the Border and Immigration Agency, HM Revenue and Customs, and UK Visas.

## Countering the threat from international terrorism

**6.41** While the UK has faced terrorist threats in the past, the reach, capability and sophistication of international terrorist groups places the current threat on a scale not previously encountered. In recent years Al Qaida and associated terrorist groups have attacked over 25 countries and killed thousands of people. The challenge facing the UK and all countries in defeating this violence will last at least a generation, demanding a determined, coherent and long-term approach.

**6.42** The Government has responded to this new challenge by significantly increasing the capacity of the intelligence and security agencies and the police to detect and disrupt terrorist attack planning; undertaking work to isolate and prevent violent extremism; and improving the UK's preparedness for emergencies, including terrorist attacks. By the end of 2007-08, spending on counter-terrorism and intelligence across departments will be £2½ billion a year – more than double the amount before 9/11. **This investment will continue in the CSR07 period, with dedicated spending on counter-terrorism and intelligence rising to over £3½ billion by 2010-11. This includes an addition of over £220 million by 2010-11 for the Home Office, taking the real terms increases in its budget to 1.1 per cent a year on average over the CSR07 period.**

<sup>9</sup>Safe. Sensible. Social. *The next steps in the alcohol strategy*, DH, HO, DfES and DCMS, June 2007. Available at [www.dh.gov.uk](http://www.dh.gov.uk).

**6.43** The Government recognises that additional resources alone are not enough to defeat the threat now faced by the UK. The links between terrorist networks in the UK and overseas erode distinctions between domestic and international security, and between those departments traditionally tasked with security policy and other areas of government. It demands a new approach, harnessing all the means at the Government's disposal – law enforcement, security, military, diplomatic, economic and cultural. **Following a wide-ranging review of security and counter-terrorism, the Government is therefore announcing a new PSA to reduce the risk to the UK and its interests overseas from international terrorism,** supported by:

- **a new single security and intelligence budget which brings together all direct spend on counter-terrorism to improve visibility and accountability for investment decisions.** The Ministerial Committee on National Security International Relations and Development will review the spending plans for this budget on an annual basis;
- **action to combat money laundering and the financing of international crime and terrorism,** implementing the conclusions of the strategy published in February 2007<sup>10</sup> to strengthen the financial system's response to these threats, including through the establishment of a new unit in the Charity Commission to work with the charitable sector to protect it from terrorist exploitation; and
- **a more co-ordinated approach to reducing violent Islamist extremism.** An additional £100 million has been allocated over the next three years to fund activities aimed at supporting communities to reject and condemn violent extremism and specifically supporting those individuals most at risk of becoming involved in violent extremism. This will be complemented by the work of the BBC World Service and British Council to break down cultural barriers and misunderstanding between communities at home and abroad, as set out in more detail in Chapter 7.

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<sup>10</sup> *The financial challenge to crime and terrorism*, HMT, February 2007, available at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).