

MEETING:	CABINET
DATE:	17 JUNE 2010
TITLE OF REPORT:	2010/11 LOCAL GOVERNMENT SAVINGS
PORTFOLIO AREA:	RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide.

Purpose

To report on the 2010/11 Local Government savings package announced on 10th June 2010 by the Communities and Local Government Minister.

Key Decision

This is not a Key Decision.

Recommendations

THAT Cabinet notes the position outlined in the report.

Key Points Summary

1. 2010/11 total public sector savings are £6.2 billion of which £1.165 billion will be met by local government.

Alternative Options

2. These are central Government determined reductions in grant and as a result there is no alternative option.

Reasons for Recommendations

3. To ensure the extent of the announced 2010/11 Local Government savings is understood.

Introduction and Background

4. On 17th May the Chancellor of the Exchequer announced that the "coalition has agreed that £6 billion of savings to non-front line public services should be made this financial year". Further details were provided on 24th May about the areas affected by the £6.2 billion cuts (slightly

higher than previously announced). Within the overall total the figure affecting local government is £1.165 billion to be achieved by reducing grants to local authorities.

5. On 10th June a written Ministerial Statement was laid in the House of Commons outlining Local Government savings. The next key date is 22nd June when an emergency budget may give an indication of likely areas for future savings. The comprehensive spending review to be announced in the autumn will give a clearer indication of the scale of savings to be met by local government from 2011/12 onwards.

Key Considerations

6. For local authorities the general Formula Grant has not been reduced and remains at the level approved by parliament of £29 billion. Similarly, Dedicated Schools Grant (DSG) has not been reduced.
7. The breakdown of the £1.165 billion local government savings indicates £805 million is to be found from revenue grants with the balance of £360 million coming from capital grants.
8. The 2010/11 revenue grant reductions have been capped at 2% and no local authority will face a reduction greater than this percentage. This has not been relevant to Herefordshire as our revenue grant reduction totals £1.158 million or 0.7% of grant.
9. The grants affected include those now within Area Based Grant (ABG), Kickstart Grant, Local Authority Business Growth Incentive (LABGI) scheme and Local Area Agreement (LAA) Reward grant. The known position for Herefordshire is that £1.158 million of revenue grants and £640k of capital grants will not be received.
10. The following table outlines the position for Herefordshire :

Revenue Grant (ABG)

Grant Reduction Area	£000	£000
Department for Education	934	
Supporting People Admin	102	
Cohesion	18	
Road Safety	87	
Home Office	17	
Total		1,158

Capital Grants

Grant Reduction Area	£000	£000
Integrated Transport Block	540	
PRN Network Funding	30	
Road Safety Capital Grant	70	
Total		640

11. In addition an estimated £836k of grant will not be received. However these grants were not confirmed prior to the council's budget setting and therefore their loss impacts on the ability to add to existing budgets rather than requiring reduction to existing commitments.

12. The £1.158 million revenue grant reduction falls within Herefordshire's £15.35 million ABG allocation. The majority of the reductions (£934k) come from Department for Education (DfE) sources.
13. The announcement confirmed that a series of revenue and capital grants will no longer be "ring fenced". For non schools revenue and capital funding it is estimated that ring fencing has been reduced this year from 10.7% (£4.5 billion) to 7.7% (£3.2 billion). For Herefordshire the removal of ring fencing affects the following grants.

Grant	£'000
Youth Opportunity Fund	90
Trust Family Grant	360
Stroke Strategy	89
Aids Supports Grant	16
Playbuilder grant (capital)	593
TOTAL	1,148

14. There is also a doubt over whether we will receive the "Free Swimming Programme" grant. Last year Herefordshire's 2010/11 allocation was announced as £168k including an additional 20% allocation due to offering free swimming to those over 60 and those under 16. We have yet to receive the 2010/11 payment which had been expected by now.
15. There is a lack of certainty about the impact of some of the DfE grant reductions. The areas affected are:
 - Play and Playbuilder revenue grant will cease for the 122 Playbuilder authorities. Herefordshire is scoping the extent of contracts that will not be funded.
 - The Local Delivery Support Grant has been reduced but no details have been released on the level of each authority's reduction.
 - High Performing Specialist Schools are being contacted directly by DfE about grant reductions and the council has yet to receive details.
 - Grants from the Training and Development Agency to local authorities for workforce modernisation and training for support staff in schools will be significantly reduced.

The lack of detail means that we cannot yet indicate how the reduction in DfE grants affect Herefordshire but it is clear there will be a reduced allocation.

Community Impact

16. The reduced grant will require a review of existing commitments across a range of areas.

Financial Implications

17. The revenue grant reduction total is £1.158 million and the capital grant reduction is £640k.
18. In addition an estimated £836k of grant allocation not included in the budget is likely to be removed.

Legal Implications

19. None.

Risk Management

20. By indicating the scale of the 2010/11 reduction a process of mitigating the impact will commence.

Consultees

None.

Appendices

None.

Background Papers

Written Ministerial Statement from Communities and Local Government Minister, June 10th 2010.