

NOTE ON LOCAL GOVERNMENT'S CONTRIBUTION TO £6.2BN PUBLIC SPENDING SAVINGS IN 2010/11

In May the Treasury announced the Coalition Government's intention to secure savings of £6.2bn in the current financial year. Local government, excluding police authorities, has a target of £1.2bn in-year savings within this total. In addition, the Home Office has allocated savings of £135m to police authorities which will affect the finances of the City Police. Further information has been provided recently.

The Government expects local authorities will be able to make savings from efficiency measures, eliminating waste and, where necessary, reducing spending in areas that are lower priority for their communities. The fact that certain grants have been chosen for reduction over others does not mean that the Government expects there to be a direct correlation between grant reductions and local authority budget changes.

The Government is clear that local government needs increased flexibility to take decisions locally. This means retaining the most flexible funding (Formula Grant) at the level approved by Parliament. It also means lifting restrictions on how local government spends its money by removing ringfencing from other specific grants. Capital grants, however, will still need to be used for capital expenditure.

In addition, the Government believes that the abolition of Comprehensive Area Assessment, saving the CLG £10m in 2010/11, will reduce direct and indirect costs on local authorities.

The distribution and level of grants from 2011/12 onwards will be considered in the autumn Spending Review.

Reductions to individual revenue grants/funding streams have been made mainly on a pro rata basis and the implications for the City **for those that have been allocated to date** by the Government are shown in the table below:-

<u>Programme</u> <u>Revenue & Area Based Grants</u>	<u>National Total</u> (£000's)	<u>City's Share</u> (£'s)
Dept. for Education	311,000	111,360
Supporting People Admin.	30,000	34,500
Working Neighbourhood Fund	49,930	0
Local Enterprise Growth Initiative	17,500	0
Prevent	7,000	0
Cohesion	4,000	0
Road Safety	20,592	0
DfT Kickstart 2009	4,999	0
Home Office	6,000	9,237
Sub-Total	451,021	155,097
Police Rule 2 Grant	115,000	917,064
Totals	566,021	1,072,161

The above allocations only relate to part of the overall savings. In addition, £212m reductions in capital grants have been allocated by the Department for Transport but the City is unaffected by these reductions. It does, however, face a reduction of £100,000 in Police capital grant in 2010/11 as part of their £10m reduction nationally. Also the Home Office will cut £10m from police counter terrorism grants but this has yet to be allocated.

Other savings in grants affecting the City relate to the abolition of the Housing and Planning Delivery Grant of £146m for the current year. The City's share of this grant was £151,922 in 2009/10 but no allocations had been made for 2010/11. The Local Authority Business Growth Incentives (LABGI) scheme has also been abolished saving £50m and the City's provisional allocation for 2010/11 was £12,829. The LAA Reward arrangements have been reduced by £125m which broadly will reduce rewards by 50% to local authorities in the current year, and will have implications for the City's potential financial reward under the scheme.

There are other programmes where grants to local authorities will be reduced but I am not aware that these have financial implications for the City and the national reductions are as follows:-

- Housing Market Renewal (CLG)(-£50m)
- Gypsy & Traveller site grant (CLG)(-£30m)
- Connecting Communities (CLG)(-£19m)
- Other Cohesion funding (CLG)(-£5m)
- Contaminated Land (DEFRA)(-£8m)
- Major Transport projects & smaller grants (DfT)(-£71m)