



Report of the Director of Resources

Executive Board

Date: 22nd June 2010

Subject: REDUCTIONS IN GRANTS TO LOCAL AUTHORITIES 2010/11

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

EXECUTIVE SUMMARY

As part of the Government's accelerated deficit reduction plan, details of reductions in grants to local authorities totalling £1.166 billion in the current financial year were announced on the 10th June 2010¹.

Initial details are available of how some of the reductions are allocated to individual authorities, and this report provides information on what is currently known, but there are still gaps in that information and only a partial picture can therefore be given here.

The headline figures are a reduction in revenue grant funding of £12.2m and capital grants of £6.96m. However, as the Government intends to remove much of the ring-fencing that currently applies to many grants, there is not necessarily a direct correlation between grant reductions and local authority budget changes.

As more detail becomes available, options will need to be identified and reports prepared for consideration by Executive Board on how the reductions in grants are to be dealt with.

1.0 Purpose of this report

- 1.1 As part of the Government's accelerated deficit reduction plan, details of reductions in grants to local authorities totalling £1.166 billion in the current financial year were announced on the 10th June 2010¹. The purpose of this report is to provide details of the reductions in grants at a national level, and to provide information, in so far as it is available, as to the reductions in grants to the Council.
- 1.2 At this stage, members are asked to note the information provided in this report. Work has already commenced to consider fully the impact of the reductions in grant and how they might impact on the Council's budgets. As the fuller picture becomes clear, options will need to be identified and reports prepared for consideration by the Executive Board on how the reductions in grants are to be dealt with. It is crucial that this work progresses rapidly and it is anticipated that a further report will be submitted to July's Executive Board.

2. Background Information

- 2.1 The new coalition government has clearly stated that their most urgent priority is to reduce the UK's deficit. On the 24th May 2010, the Chancellor of the Exchequer and the Chief Secretary to the Treasury set out proposals to reduce public spending by £6.2 billion in the current financial year². Included in the package was an expectation that savings of £1.166 billion would be delivered by local government. Further details were provided through a ministerial statement on the 10th June 2010, and through the CLG web site. The general Formula Grant and the Dedicated Schools Grants are unaffected but various other grants are being reduced. Appendix 1 is a table giving a breakdown of the total by funding stream, at the national level.
- 2.2 Ministers have stated that they think it is fair that local authorities make a contribution to savings in 2010/11. As with Government departments their stated expectation is that local authorities are able to make savings from efficiency measures and where necessary reducing spending in areas that are a lower priority to their communities
- 2.3 The Government has also announced its intention to remove much of the ring-fencing that currently applied to many grants, in order to give authorities greater flexibility in deciding on where to make savings. The Government has stated that the fact that certain grants have been chosen for reduction does not mean that the Government expects there to be a direct correlation between grant reductions and local authority budget changes.

3. Impact upon the Council

- 3.1 Initial details are available of how some of the reductions are allocated to individual authorities, and this report provides information on what is currently known, but there are still gaps in that information and only a partial picture can therefore be given here.
- 3.2 Some of the grant reductions included in Appendix 1 have not yet been allocated at all by Government (e.g. Housing Planning Delivery Grant), but indicative figures as to their potential impact upon the Council have been included in the information below based upon the sums included in the Council's 2010/11 budget³. The grant reductions that have been announced affect both revenue and capital. Figures that are currently known for Leeds are as follows:-

3.3 Revenue Grant Reductions

| | Reduction £m | Note |
|---|-----------------|------|
| Department fo Education (Area Based Grant) | 5.082 | 1 |
| Supporting People (ABG) | 0.393 | 2 |
| LEGI (ABG) | 0.912 | 3 |
| Prevent (ABG) | 0.084 | |
| Road Safety Revenue (ABG) | 0.841 | 4 |
| Home Office (ABG) | 0.100 | |
| Sub Total (ABG) | 7.412 | |
| Housing Planning Delivery Grant | 0.900 | 5 |
| LAA Reward Grant | 3.250 | 6 |
| Local Authority Business Growth Incentive Scheme (LABGI) | 0.628 | |
| Total | 12.190 | |

Notes

1. This represents 24% of the Council's total ABG grants allocated from the Department for Education. Further analysis of the education schemes currently funded by this grant is attached at Appendix 2.
2. The whole of the Supporting People admin grant of £393k has been cut from the ABG. This is a grant for the administration of the Supporting People programme of £31.981m.
3. This is a reduction against the revenue budget of £3.9m in 2010/11.
4. This is a revenue grant for all the West Yorkshire Districts, the Leeds element of the cut is approximately £280k.
5. No indicative local allocations have been received yet. Leeds received £1.453m in 2009/10, and included in the 2010/11 budget is £0.9m based on a lower national pot.
6. For 2010/11 this refers to LPSA2 reward grant. The Leeds reward grant has been agreed at £13m, of which 50% is revenue and 50% capital. CLG have now confirmed that authorities will receive only 50% of the value of any targets achieved. The Council has already received the first instalment of 50% (£6.5m), but there will now be no second payment.

3.4 Capital Grant Reductions

| | £m |
|-------------------------------|-------------|
| Integrated Transport Block | 1.95 |
| Primary Route Network funding | 1.06 |
| Road Safety Capital | 0.70 |
| LAA Reward Grant | 3.25 |
| Total | 6.96 |

- 3.5 The capital grant reductions for the first three represent a proportion, approximately a fifth, of the total grant under those headings.
- 3.6 It should be noted that the Department for Transport has made a statement⁴ indicating that all schemes that were granted Conditional Approval or Programme Entry by the previous Government will be reviewed as part of the spending review. Until then, the Government can give no assurances on funding support for any of these schemes. Leeds will have schemes at this stage, and therefore the future funding relating to them is uncertain.
- 3.7 Nationally, PFI grants have been reduced by £160m from “underspends” and the West Yorkshire Integrated Transport Authority capital grant has been reduced by £12.48m although the implications for projects in Leeds are currently unknown.

4. Recommendations

- 4.1 Members are requested to note the contents of this report and request a detailed report to the July meeting on the implications for Leeds and options to meet the funding gap.

Background Documents

¹ ‘Local Government’s Contribution to £6.2bn efficiencies in 2010-11’, Letter from DCLG to Local Authority Chief Executives, 10th June 2010.

² Speech by Chief Secretary to Treasury, Rt Hon David Laws MP, www.hm-treasury.gov.uk/press_06_10.htm

³ Revenue Budget and Council Tax 2010/11 – report to Executive Board 12th February 2010

⁴ ‘Transport: Local Authority Major Schemes’, Statement by Secretary of State for Transport, Rt Hon Philip Hammond MP, www.dft.gov.uk

| | |
|---|--------------|
| Department for Education | £m |
| Revenue | |
| Reduction in the overall amount available to local authorities through Area Based Grant (ABG) from DfE. | 311.0 |
| Total DfE | 311.0 |
| Department for Transport | |
| Capital | |
| Integrated Transport Block | 150.8 |
| Major Projects | 61.4 |
| Yorkshire and Humber ITB transfer | 23.5 |
| Capital detrunking | 6.8 |
| PRN networking funding | 5.9 |
| Urban congestion fund | 7.9 |
| Road Safety capital grant | 17.2 |
| Total capital | 273.4 |
| Revenue | |
| Smaller grants, of which: | 15.0 |
| Kickstart 2009 | 5.0 |
| Other funding support, as yet unallocated | 10.0 |
| Area Based Grant - Road Safety revenue grant | 20.6 |
| Total revenue | 35.6 |
| Total DfT | 309.0 |
| Communities and Local Government (CLG) | |
| CLG Departmental Expenditure Limit (DEL) | |
| Capital | |
| Housing Market Renewal | 50.0 |
| Gypsy & Traveller site grant | 30.0 |
| Total capital | 80.0 |
| Revenue | |
| Housing and Planning Delivery Grant | 146.0 |
| Connecting Communities | 19.1 |
| Other cohesion funding | 5.0 |
| Area Based Grant - Supporting People administration | 30.0 |
| Area Based Grant - Working Neighbourhood Fund | 49.9 |
| Area Based Grant - Local Enterprise Growth Initiative | 17.5 |
| Area Based Grant - Prevent | 7.0 |
| Area Based Grant - Cohesion | 4.0 |
| Total revenue | 278.5 |
| Total CLG revenue and capital | 358.5 |

| | |
|---|---------|
| Local Government DEL | |
| Local Area Agreement Reward | 125.0 |
| Local Authority Business Growth Incentives scheme | 50.0 |
| Total | 175.0 |
| Department for Environment, Food and Rural Affairs | |
| Capital | |
| Contaminated Land | 7.5 |
| Total | 7.5 |
| Home Office | |
| Revenue | |
| Reduction in the overall amount available to local authorities through Area Based Grants (ABG) from HO. | 6.0 |
| Total | 6.0 |
| Adjustment grant | -1.1 |
| Grand total revenue | 805.0 |
| Grand total capital | 360.9 |
| Grand total local government grant reduction | 1,165.9 |

**Area Based Grant (Department for Education Funded)
2010/11 Financial Year**

- 1) Nationally, the Department for Education contribution toward the Area Based Grant has been cut in 2010/11 by £311m, or 24%. The impact of this reduction in Leeds has been confirmed at £5.08m.
- 2) The analysis below identifies the total DfE funded Area Based Grant and also the potential impact of the 24% reduction in funding.
- 3) Work is ongoing to analyse what services the funding supports in terms of direct staffing, services provided by the third sector and contributions to school budgets, etc. Work is also ongoing to determine the actual spend so far in 2010/11 and what commitments & contractual obligations exist.

| Service | ABG Stream | ABG Allocation £ | Initial Comment |
|---|--|---------------------|---|
| IYSS | Connexions | 6,529,176 | Funds Information, advice & guidance services provided mainly through contracts |
| EL | School Development Grant | 5,161,270 | Education School Improvement Services & Learning Communities |
| Early Years | Children's Fund | 2,092,599 | Primarily funds contracts with the PVI sector |
| IYSS | Positive Activities for Young People | 1,626,846 | Funds various activities including employees, voluntary sector, Breeze, etc |
| CYPSC | Care Matters White Paper | 889,705 | Contributes to core activities in Children & Young People's Social Care & Personal Education Plans for Looked After Children |
| EL | Extended Schools Start-Up Grants | 870,003 | 75% funds the Extended Services central team and 25% is devolved to school clusters |
| DCSU | LSC Staff Transfer: Special Purpose Grant | 597,293 | Funds the staffing structure transferred from the LSC in April 2010. Some savings already identified as part of the 2010/11 budget monitoring |
| DCSU | Teenage Pregnancy | 448,000 | Funds the Teenage Pregnancy commissioning |
| EL | Primary National Strategy - Central | 389,104 | Funds School Improvement Employee Costs |
| EL | Secondary National Strategy - Central Co-ordination | 332,961 | Funds School Improvement Employee Costs |
| EL | School Improvement Partners | 279,620 | Funds employe costs |
| EL | Extended Rights to Free Transport | 264,074 | |
| N&E | Youth Taskforce | 230,000 | Managed within Environment & Neighbourhoods |
| CYPSC | Children's Social Care Workforce | 226,279 | Funds employee development & training programmes in CYPSC |
| EL | 14 - 19 Flexible Funding Pot | 200,619 | |
| EL | School Intervention Grant | 187,100 | Generally employee costs supporting schools |
| EL | Education Health Partnerships | 161,344 | |
| EL | Secondary National Strategy - Behaviour and Attendance | 125,800 | Funds School Improvement Employee Costs |
| EL | January Guarantee | 123,191 | Additional places in post 16 provision |
| DCSU | Young Peoples Substance Misuse | 95,835 | Funds commissioned services |
| LSCB | Child Death Review Processes | 95,823 | Contribution to Local Safeguarding Children's Board |
| City Dev | School Travel Advisers | 84,000 | Managed in City Development |
| EL | Choice Advisers | 71,801 | Funds employee costs in Education Leeds |
| City Dev | Sustainable Travel - General Duty | 51,222 | Management in City Development |
| CYPSC | Designated Teacher Funding (for Looked After Children) | 39,708 | Used to fund training and back-fill in Schools |
| CYPSC | Child Trust Fund | 32,158 | Funds Trust Funds for Looked After Children |
| Total - DCSF funded Area Based Grant | | 21,205,531 | |