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CABINET

17 JUNE 2010

A meeting of the Cabinet will be held at 7.00 pm on Thursday, 17 June 2010 in the Council Chamber, Cecil Street, Margate, Kent.

Membership:

Councillor Bayford (Chairman); Councillors: Latchford, Moores, Wells and Wise

SUPPLEMENTARY A G E N D A 2

Item
No

Subject

4. **CHIEF EXECUTIVE'S RESPONSE: "THE COALITION: OUR PROGRAMME FOR GOVERNMENT"** (Pages 1 - 8)

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LOCAL GOVERNMENT'S CONTRIBUTION TO £6.2 BILLION EFFICIENCIES IN 2010-11

Introduction and overview

1. This note sets out the basis on which the Government will implement reductions to individual local authority grant allocations for 2010-11. The note does not cover funding to police authorities. The Minister of State for Policing and Criminal Justice announced his proposals for police authorities on 27 May.
2. The Government has made clear that its most urgent priority is to tackle the UK's record deficit in order to restore confidence in our economy and support the recovery. On Monday, 24 May, the Chancellor of the Exchequer and Chief Secretary to the Treasury announced the first step in tackling the deficit, setting out how the Government intends to save over £6 billion from spending in 2010-11.
3. Included in that savings package was an expectation that savings of over £1 billion would be delivered by local government. The Government recognises that it will be challenging for local authorities (along with other parts of the public sector) to make these reductions in-year. However, the Government is clear that these reductions are necessary for the reasons set out above. It is for local authorities to decide where their priorities and opportunities for efficiencies lie across the totality of their responsibilities
4. To support local authorities to re-shape their budgets, the Government aims to give authorities certainty about their grant reductions as a matter of urgency, so that they can make the necessary decisions as quickly as possible. The Government has also received representations from local government to provide certainty urgently.
5. The Government will not be consulting authorities on the reductions to grants or funding streams. However, in relation to those grant streams where reductions are necessary, the Government considers it prudent to publish amended allocations and to allow local authorities to comment on the accuracy of the figures before they are implemented. This note does that.

The case for a reduction

6. As set out above, the Government's most urgent priority is to tackle the UK's record deficit. The Government believes that it is better to start to make reductions in the current financial year. Ministers consider that not making these reductions now will simply delay the need for savings in future years, therefore compounding the impact on local authorities and other parts of the public sector in the future.
7. Ministers believe that it is fair that local authorities make a contribution to the savings in 2010-11. As with central departments, 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.

8. Government Departments have had to make difficult decisions about reducing grants paid to local government, but delay in providing this certainty will make it more difficult for authorities to manage their finances in 2010-11.

9. The Government therefore wishes to provide as much clarity and flexibility to local authorities and other public bodies as quickly as possible so that they can best handle the changes proposed without an impact on key frontline services.

10. In considering grant and funding streams, the Government has:

- given priority to protecting the funding for schools and Surestart and 16-19 year olds;
- not reduced funding in the specific grants and/or funding streams for adult social care, housing benefit administration, main programme funding for Supporting People and for the fire service

11. The Government has examined whether it would be possible to focus the reductions on grants which have not been included in grant determinations, or grants which are not subject to statutory restrictions. This has been possible to some extent. Some of the reductions occur in grants where there are underspends, where the money has yet to be allocated, or where a grant determination has not yet been made. However, it has been necessary to reduce some grant allocations included in grant determinations.

12. 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 (£29 billion). It also means lifting restrictions on how local government spends its money by removing ringfences. This gives councils extra flexibility to make decisions about where savings are found, although this is subject to the usual rules which ensure that capital funding is used on capital expenditure.

13. In addition, the Government believes that the abolition of CAA (saving Government £10m in 10-11) will reduce direct and indirect costs on local authorities

14. Local authorities will have to make difficult decisions, and increase the drive for efficiency, but in the context of the need to tackle the budget deficit, it is right that all parts of the public sector prioritise. The reductions announced by departments therefore take these factors into account.

15. The distribution and level of grants from 2011-12 onwards will be considered in the autumn Spending Review
16. Information on the grants which will be reduced in 2010-11 is attached at Annex A.
17. A list of contacts in the relevant government departments is at Annex B.
18. Precise information on the changes, by department and for each funding stream or grant, is attached at Annex C. Reductions to individual grants/funding streams have been made, in the main, on a pro-rata basis, so that every authority is affected to the same proportionate extent in relation to that grant stream. In each case, the Government is satisfied that it has adopted a fair approach to making the necessary reductions.
19. Annex D of this document provides details of the revised allocations for individual authorities. The table sets out the changes for each grant stream by individual local authority.
20. A revised list of all revenue and capital grants, and whether they are ringfenced, is at Annex E.
21. Authorities should let the Department know by 5pm on Thursday 24 June if they believe that there are errors in the figures. Information should be sent to:

Becca Taber
Communities and Local Government
Local Government Finance - Strategy, Revenue and Capital
5/H1
Eland House
Bressenden Place,
London, SW1E 5DU

Or by e-mail to becca.taber@communities.gsi.gov.uk

22. For further detail see the **Treasury Press Notice** at http://www.hm-treasury.gov.uk/d/press_04_10.pdf

| Local Authority | Main Revenue Grant allocation ¹ | Revenue Grant allocation reductions ² | | | | | | | | | | Adjustment ⁵ | Total reduction post-adjustment | % reduction against total revenue allocation |
|-------------------------|--|--|-----------------------------|---------|----------|-------------|--------------|--------------------------------------|--|--------|------------------|-------------------------|---------------------------------|--|
| | | DfE total ABG | Supporting People Admin ABG | WNF ABG | LEGI ABG | Prevent ABG | Cohesion ABG | Road Safety revenue ABG ³ | DfT Kickstart 2009 Specific grant ⁴ | HO ABG | Total reductions | | | |
| Southampton | 251.77 | -1.52 | -0.15 | - | - | -0.06 | -0.02 | -0.08 | - | -0.03 | -1.86 | - | -1.86 | -0.7% |
| Southend-on-Sea | 197.34 | -1.03 | -0.11 | - | - | - | -0.03 | -0.08 | -0.12 | -0.02 | -1.39 | - | -1.39 | -0.7% |
| Southwark | 475.43 | -2.19 | -0.25 | -0.73 | - | -0.07 | - | - | - | -0.05 | -3.30 | - | -3.30 | -0.7% |
| Spelthorne | 5.71 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| St Albans | 7.90 | - | - | - | - | -0.06 | - | - | - | - | -0.06 | - | -0.06 | -0.7% |
| St Edmundsbury | 7.11 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| St Helens | 239.61 | -1.58 | -0.15 | -0.55 | -0.90 | - | - | - | - | -0.02 | -3.21 | - | -3.21 | -1.3% |
| Stafford | 8.79 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Staffordshire | 717.88 | -3.80 | -0.34 | - | - | - | - | -0.35 | - | -0.08 | -4.57 | - | -4.57 | -0.6% |
| Staffordshire Moorlands | 7.62 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Stevenage | 7.89 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Stockport | 277.10 | -1.49 | -0.11 | - | - | -0.06 | - | - | - | -0.03 | -1.69 | - | -1.69 | -0.6% |
| Stockton-on-Tees | 230.81 | -1.71 | -0.10 | -0.49 | - | -0.06 | -0.02 | -0.08 | -0.11 | -0.02 | -2.58 | - | -2.58 | -1.1% |
| Stoke-on-Trent | 329.07 | -1.92 | -0.25 | -0.98 | - | -0.07 | -0.06 | -0.10 | -0.13 | -0.03 | -3.55 | - | -3.55 | -1.1% |
| Stratford-on-Avon | 7.00 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Stroud | 7.22 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Suffolk | 633.91 | -3.25 | -0.49 | - | - | - | - | -0.32 | - | -0.07 | -4.11 | - | -4.11 | -0.6% |
| Suffolk Coastal | 8.29 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sunderland | 374.99 | -2.71 | -0.14 | -1.08 | - | -0.05 | -0.03 | - | - | -0.03 | -4.05 | - | -4.05 | -1.1% |
| Surrey | 834.55 | -3.98 | -0.43 | - | - | - | - | -0.49 | -0.34 | -0.10 | -5.35 | - | -5.35 | -0.6% |
| Surrey Heath | 4.87 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sutton | 210.03 | -1.00 | -0.12 | - | - | -0.06 | - | - | - | -0.02 | -1.20 | - | -1.20 | -0.6% |
| Swale | 12.30 | - | - | - | - | - | -0.03 | - | - | - | -0.03 | - | -0.03 | -0.3% |
| Swindon | 193.25 | -1.18 | -0.13 | - | - | - | - | -0.10 | - | -0.02 | -1.42 | - | -1.42 | -0.7% |
| Tameside | 277.66 | -1.62 | -0.15 | -0.45 | - | -0.06 | -0.03 | - | - | -0.03 | -2.34 | - | -2.34 | -0.8% |
| Tamworth | 6.96 | - | - | - | - | - | -0.02 | - | - | - | -0.02 | - | -0.02 | -0.3% |
| Tandridge | 4.27 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Taunton Deane | 8.76 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Teignbridge | 9.94 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Telford and the Wrekin | 196.43 | -1.49 | -0.09 | - | - | -0.05 | -0.03 | -0.08 | - | -0.02 | -1.76 | - | -1.76 | -0.9% |
| Tendring | 14.36 | -0.01 | - | - | - | - | -0.02 | - | - | - | -0.03 | - | -0.03 | -0.2% |
| Test Valley | 7.14 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Tewkesbury | 5.34 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Thanet | 15.17 | - | - | -0.16 | - | - | -0.05 | - | - | - | -0.21 | - | -0.21 | -1.4% |
| Three Rivers | 5.73 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Thurrock | 179.05 | -0.97 | -0.09 | - | - | - | -0.08 | -0.07 | - | -0.02 | -1.23 | - | -1.23 | -0.7% |
| Tonbridge and Malling | 6.55 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Torbay | 152.79 | -0.82 | -0.09 | - | - | - | -0.02 | -0.03 | - | -0.02 | -0.99 | - | -0.99 | -0.6% |
| Torridge | 6.46 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Tower Hamlets | 553.23 | -2.55 | -0.21 | -1.10 | - | -0.17 | -0.03 | - | - | -0.05 | -4.12 | - | -4.12 | -0.7% |
| Trafford | 241.14 | -1.31 | -0.12 | - | - | -0.06 | - | - | - | -0.03 | -1.51 | - | -1.51 | -0.6% |
| Tunbridge Wells | 7.02 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Tyne and Wear Transport | 0.25 | - | - | - | - | - | - | - | -0.10 | - | -0.10 | - | -0.10 | - |
| Uttlesford | 4.14 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Vale of White Horse | 7.16 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Wakefield | 375.11 | -2.08 | -0.17 | - | - | -0.06 | -0.03 | - | - | -0.03 | -2.37 | - | -2.37 | -0.6% |
| Walsall | 363.90 | -2.16 | -0.12 | -0.66 | - | -0.07 | -0.02 | - | - | -0.03 | -3.06 | - | -3.06 | -0.8% |

Annex 4

IMPACT OF PROPOSED GOVERNMENT CUTS

The implementation of government cuts has affected the following Council grants, at this early stage it has not been possible to assess the full impact of all the reductions, although where possible these are highlighted:

Known Grant Cuts at this stage

| Grant | Paid By | Reduction 2010/11 | Reduction 2011/12 | Impact | Nature of Impact |
|-------------------------------------|-------------------------------|-------------------|-------------------|--------------|--|
| Migration Impact Fund | GOSE | 45,000.00 | | Low | The grant has been halved, no expenditure was allocated to the grant cut and so there should be no impact on the authority. |
| Working Neighbourhood Fund | DCLG through Area Based Grant | 159,000.00 | | Low - Medium | Possible reduction in WNF Programme identified subject to board approval. Removal of apprenticeship Programme £120k, FJF discretionary fund underspend and one grant ended early by board. |
| Community Cohesion | DCLG through Area Based Grant | 48,000.00 | | Low - Medium | Saving identified, £12k underspend in 2009/10 in addition to £38k reduction in expenditure spread across 2010/11 and 2011/12. Although cut will lead to budget pressure in 2011/12. |
| Neighbourhood Crime and Justice | Home Office | | 50,000.00 | High | There are various staff salaries funded from this grant and the impact of the grant removal will have implications to TDC base budget, although these need to be costed and highlighted in future reports. |
| Housing and Planning Delivery Grant | DCLG | | 74,798.47 | High | The whole HPDG grant for the Council has been cut. There is enough money remaining to fund the budget for 2010/11, so the full impact will not be felt until 2011/12. However cuts now will reduce the impact in 2011/12. There is the scope to switch the element of grant currently allocated to capital to reduce this impact, although this needs investigation, but this will still mean a £52.2k impact on TDC base budgets. |
| Total Cuts | | 252,000.00 | 124,798.47 | | |

Additional Cuts Announced

LAA Reward - £125m. The proposed cut will be applied to KCC, but which will impact on any Performance Reward Grant handed down to the local authorities. The impact on this cut is as yet unknown.

Local Authority Business Growth Incentives (LABGI) - £50m. Again the grant is proposed to be cut but no announcement has been made as to how much will be passed on to the Council.

Area Based Grant Cuts – Kent County Council - £8.79m. The cut of KCCs Area Based Grant (along with others) does not appear to have an immediate impact on the Council, but as KCC move money around to cover areas of cuts, grants provided to the authority in other areas such as sports etc. may duly suffer although to what level is unclear. As part of these cuts KCC's transport grants are affected and this may increase their interest in our decriminalised reserves. These cuts could also impact on the Council's CDRP allocation, which for 2009/10 was £117,080 and this funds salaries, but the impact is not yet known.

Other Possible Cuts

Dreamland – Sea Change. DCMS has announced a 3% reduction in the programme and this may impact on the grant provided to the Council. CABE the accountable body for Sea Change seem confident at this stage that the reduction will not impact on the Council's £3.8m grant, although this maybe subject to change.

Arts Council England. DCMS have imposed a £19m cut in grant to the Arts Council, this has no immediate impact but could have a future impact on the Council's MACH programme, although this is not expected at this time.

Home Office. The Home Office has suspended the work of it's Anti Social Behaviour team due to "new ministerial priorities". This may be an indication of further cuts to any Home Office grants.

Recommended Action

That the impact of cuts are fully costed, that these are reported to the next CMT and that immediate action is required to reduce the impact, where possible, to TDC base budgets.

| Local Authority | 2010-11 Revenue Grant allocation reductions | | | | | | | | | | % reduction against column 8 prior to 2% cap adjustment | Adjustment (capping reductions at 2% of column 8) | Final reductions post-adjustment | % reduction post-adjustment against column 8 |
|----------------------|---|-------------------------------|----------------------------------|--|---------------|----------------|---------------------------|---|-------------------------|---|---|---|----------------------------------|--|
| | Dept. for Education Total (ABG) | Supporting People Admin (ABG) | Working Neighbourhood Fund (ABG) | Local Enterprise Growth Initiative (ABG) | Prevent (ABG) | Cohesion (ABG) | Road Safety revenue (ABG) | Dept. for Transport Kickstart 2009 (specific grant) | Home Office total (ABG) | Total reductions prior to 2% cap adjustment (column 9-17) | | | | |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | | | | |
| England total | -311.000 | -30.000 | -49.930 | -17.500 | -7.000 | -4.000 | -20.592 | -4.999 | -6.000 | -451.021 | -0.7 | 1.042 | -449.979 | -0.7 |
| Canterbury | -0.012 | - | - | - | - | - | - | - | - | -0.012 | -0.1 | - | -0.012 | -0.1 |
| Dover | -0.014 | - | - | - | - | -0.033 | - | - | - | -0.047 | -0.4 | - | -0.047 | -0.4 |
| Hastings | -0.006 | - | -0.280 | -0.187 | - | -0.033 | - | - | - | -0.505 | -3.5 | 0.220 | -0.286 | -2.0 |
| Kent | -6.873 | -0.736 | - | - | - | - | -0.608 | -0.441 | -0.132 | -8.789 | -0.7 | - | -8.789 | -0.7 |
| Shepway | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Swale | - | - | - | - | - | -0.033 | - | - | - | -0.033 | -0.3 | - | -0.033 | -0.3 |
| Thanet | - | - | -0.159 | - | - | -0.048 | - | - | - | -0.207 | -1.4 | - | -0.207 | -1.4 |

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