



Leicester
City Council

WARDS AFFECTED
All Wards

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Cabinet

22nd November 2010

Comprehensive Spending Review 2010 and Spending Moratorium

Report of the Chief Finance Officer

1. Introduction and Recommendations

1.1 Cabinet is asked to:

(a) note that the Government's Comprehensive Spending Review has announced significant cuts to local authority funding from April 2011;

(b) approve a moratorium on entering new commitments prior to setting the 2011/12 budget, as described in this report;

(c) authorise the Chief Finance Officer, in consultation with the Leader, to grant exceptions to the moratorium on grounds of the need for a quick decision (in practice, a group of three Cabinet members has been created for consultation purposes).

2. Background

2.1 On 20th October, the Government announced its Spending Review plans for the next four years. This announced – at the national level – spending plans for each area of government expenditure, including grant support to local government.

2.2 The most significant grant received from central government is the general Formula Grant (£182 million in 2010/11). National totals for this grant will reduce by 29% in real terms over the next four years. This is one of the greatest reductions (in percentage terms) of any spending area across government. The cuts are significantly front-loaded, meaning that a greater level of savings will be required in 2011/12.

2.3 Full details of the reduction to the City's funding will not be available until the local government finance settlement in early December. However, it is clear that the cuts in 2011/12 are greater than previously estimated; best estimates suggest that the City's formula grant will be reduced by £24 million in 2011/12. This is around £8 million higher than would have been the case had the cuts been evenly profiled, and will make the 2011/12 budget process particularly challenging.

- 2.4 In addition to the cuts in Formula Grant, several grant-funded programmes will end in March 2011, of which the most significant is the Working Neighbourhoods Fund (£8 million in 2010/11). Other grants, totalling over £25 million, will be transferred into general Formula Grant and will no longer be separately identifiable.
- 2.5 Schools' funding has been given a measure of protection. However, the overall totals must accommodate a national increase in pupil numbers, meaning that per-pupil funding will fall in real terms. The total also includes £2.5 billion for a national Pupil Premium targeted at disadvantaged children.
- 2.6 There have been significant cuts to capital funding streams from 2011/12 onwards. This includes significant cuts to the Building Schools for the Future programme; discussions with Government are ongoing to confirm the impact on Leicester's planned BSF works.
- 2.7 A particular issue is the continued uncertainty over a number of grant streams, where we do not yet know the scale of expected reductions (or, in the case of some grants, whether they will continue to exist).

3. Moratorium on spending

- 3.1 To maximise flexibility for the 2011/12 budget process, a moratorium is proposed on entering into significant new spending commitments. Officers have been asked not to take action involving:

- (a) new contractual or grant aid commitments, subject to a de minimis level of £50,000;

- (b) implementing any growth approved in the 2010/11 budget, or otherwise expanding services, except where contractual commitment already exists;

- (c) spending any money funded from earmarked reserves.

- 3.2 The following areas of spending are exempt from the moratorium:

- (a) spending which is 100% funded from external, confirmed sources specific to that expenditure;

- (b) ongoing cyclical maintenance programmes (roads, housing and property) and reactive maintenance;

- (c) contract renewal or retender for services already provided. The role of the procurement panel, however, is unaffected and will continue to examine significant proposed procurement activity;

- (d) works to deal with an emergency;

- (e) the housing improvement programme, and other areas where cutbacks would be required to a programme of works in train (eg disabled facilities grants);

(f) care packages/placements for individual adults/children.

- 3.3 A means is required to ensure there are no perverse or unintended consequences of a moratorium (eg losing grant money due to delay). A mechanism has been put in place for the Chief Finance Officer, after consulting Cabinet members, to allow exceptions where appropriate.

4. Equality Implications

- 4.1 An equality impact assessment of the Comprehensive Spending Review, insofar as it affects the city, is currently being carried out by the Council's equality officers. The EIA will look at how the CSR proposed actions will impact the range of households, by type and income, across the city. Based on this analysis, the anticipated impacts on different equality groups will be assessed. This impact analysis will provide a basis for, in turn, assessing the potential impacts of the Council's own spending plans arising from the local government finance settlement.
- 4.2 At a national level, various research groups have commented on the potential impacts of the CSR in conjunction with the Government's June 2010 Budget. The Fawcett Society, for instance, has commented on the impact of benefits cuts on women and the Institute for Fiscal Studies has highlighted the impact of proposals on non-earning and low earning households. This work will be used to help inform the local impact assessment.

5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

5.1 Financial Implications

This report is exclusively concerned with financial issues.

5.2 Legal Implications

None.

6. OTHER IMPLICATIONS

OTHER IMPLICATIONS	YES/NO	Paragraph Within the Report	References
Equal Opportunities	Yes	4.1-4.2	
Policy	No		
Sustainable and Environmental	No		
Crime and Disorder	No		
Human Rights Act	No		
Elderly/People on Low Income	No		

7. REPORT AUTHOR

**Mark Noble
Chief Finance Officer**

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)