

Government announcement of £6.2bn savings in 2010/11 – On The Day Briefing

24 May 2010

LGA Group Key Messages

The LGA Group has been pushing for a sustainable funding package for local authorities which provides clarity over which programmes and funding streams councils will continue to receive. We will be going through the details of the Government's proposals and will work to ensure that councils have genuine control and influence in each case.

Last year the LGA Group lobbied Government hard to end ring-fencing and reduce the number of quangos. Today, the Government committed to remove the ring-fencing of numerous grants to councils from a number of Whitehall departments and to reduce the number of bureaucratic quangos.

Councils know that cuts are necessary to reduce the budget deficit and are ready to talk to the Government about how these cuts are implemented and how we can limit their impact on front-line services.

The LGA Group believes we need fundamental reform of the way the public sector works to cut the maze of public sector bodies, funding streams and bureaucracy that costs huge sums and stands in the way of delivering more for less. Councils are ready to work with the Government to reduce spending and reform the state.

1. Specific measures to make efficiency savings and cut waste quickly

- a. We have identified **£4.5bn of savings** that can be made quickly by cutting central bureaucracy and quangos alongside unnecessary inspection and regulation.
- b. We offer to work with the Government to help secure these savings, but also to use local government expertise to identify further savings that could accrue throughout the public sector from greater devolution. A **comprehensive central/local agreement** could set out how these savings can be delivered.
- c. Alongside this, we offer to lead a **national productivity programme** to assist local government in finding greater efficiencies, such as through workforce modernisation.

2. Radical decentralisation for a more effective and affordable state

- a. The state urgently needs to be reshaped so more can be delivered with less. The Total Place pilots have shown that much waste and unnecessary bureaucracy comes from multiple public bodies trying to achieve the same goal, leading to inefficiency and duplication without improving the lives of local people.
- b. To put this right, we need to take strong action now. The Government's commitment to a review of local government finance is a positive step and we commit to work constructively with this. However, our proposals go further and offer a fully-realised means for more fundamental change.
- c. We propose a radical reshaping of the state through **place based area budgets**. These would allow Parliament to decide how national tax

revenue is spent, while ensuring that local and accountable decisions on what public services are commissioned locally, and from where, can be made. Councils would then report directly to Parliament on spending.

- d. We believe this reshaped state could be fully implemented over the coming Parliament and offer to work with Government to make the necessary changes, starting swiftly in the places that are most ready.

3. Comprehensive support to councils to ensure success

- a. We understand that the promise of a reshaped local state needs to be backed up by a **pledge** that councils will deliver. The LGA Group will make that pledge and commit to working with councils to this end.
- b. We propose a **new improvement framework** with streamlined departmental and inspection structures alongside stringent local self-regulation. This would include peer reviews at least every three years.
- c. We commit to undertaking **self-regulation** in the event that a council fails to perform. We accept that in some cases there may be a need for powers to be withdrawn in areas that fail to improve efficiency.

Summary of announcements affecting councils

£1.165bn savings by reducing grants to local authorities

- The Government proposes reducing grants to local authorities by £1.165bn in the financial year 2010-11. The detail of which grants will be reduced will be subject to further consultation; however the £29bn of formula grant will not be affected.

The LGA understands the £1.165bn will be made up of reductions in grants from:

Communities and Local Government grants	£537m
Department for Education Grants to local government	£311m
Department of Transport grants to local government	£309m
DEFRA grants to local government	£8m

The LGA further understands that Department for Education frontline funding such as Dedicated Schools Grant and Sure Start grant will be protected, although other grants, such as those paid through area based grant are liable to be reduced. CLG will consult in the coming week on how cuts will be implemented.

LGA Group View

- ***The LGA welcomes the Government's approach of consulting local government on this area rather than proscribing cuts. However, it will be important to make final decisions in good time as councils will need to implement reductions in the financial year.***

Removal of ring-fencing

- The Government will remove the ring-fences around over £1.7bn of grants to local authorities in 2010-11, to give them greater flexibility to re-shape their budgets and find savings in the areas set out above, while maintaining the quality of services to their residents.



LGA Group view

- **We welcome the commitment to reducing ring-fencing which would give councils greater ability to deliver savings while minimising the impact to services that matter most to local people.**

Future Jobs Fund

- £320m will be saved by ending ineffective elements of employment programmes, including ending further roll-out of temporary jobs through the Young Person's Guarantee (the 'Future Jobs Fund').
- The saving on the Future Jobs Fund itself will be £290m and this will be achieved by declining to approve further bids to the Fund. However the DWP have confirmed that today's announcement does not affect grant letters already in operation or have already been sent – these will continue as normal until March 2011.
- DWP have also said that they will issue those grant letters that they were not able to issue during the pre-election period, subject to the usual legal etc clearances. Where organisations are affected by this decision DWP will be writing to them separately to confirm next steps and to issue documentation as quickly as possible. DWP have also said that there may be changes to the way they manage Future Jobs Fund grants and they will communicate information on this within the next couple of weeks.

LGA Group view

- **There are positive lessons from the Future Jobs Fund for the future commissioning of the Work Programme – local commissioning offers better value for money and ensures a fit with other local services and meets the needs of local people and local employers.**

Regional Development Agencies

- £270m will be saved from ending lower value RDA spending.

LGA Group view

- **This means much more local responsibility for economic development, and councils with their neighbours up and down the country will now be considering the best arrangements for economic development.**
- **If councils in a region decide to retain a body in the form of a RDA, there will be changes, including new governance arrangements to make it locally accountable.**

Quangos

- £600m will be saved from cutting the cost of quangos.

LGA Group view

- **Whilst this is a good first step, a more radical scaling back of the quango state could deliver even bigger savings and provide better value for money.**
- **We have shown that just cutting quango budgets by 2.5% could deliver £5 bn in savings over the course of the coming Parliament**

Further Information

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