

### **Councils to be told to tap into reserves in George Osborne's Spending Review**

**The Chancellor wants to force local authorities to lessen the impact of budget cuts by tapping into their huge reserve pots.**

(The Telegraph, 31 Aug 2015)

George Osborne will attempt to force councils to spend their reserves as part of his Spending Review in a bid to dramatically cut the cost of local government.

Treasury officials want to force local authorities to lessen the impact of budget cuts by tapping into their huge reserve pots.

One measure being looked at by Government officials is to create a new law which impose a cap on councils' reserves.

The Treasury last night played down the possibility of this happening in the coming months but conceded that councils' "large reserves" must be looked at when the Government is looking at making significant savings.

Figures released by the Government have revealed that council reserves stood at £21.4 billion at the end of the last financial year - up from £14.3 billion in 2010-11.

All Whitehall departments that do not have a ring-fenced budget will at the end of this week submit their initial submissions as part of Mr Osborne's Spending Review.

The Chancellor has instructed departments to prepare for budget cuts of up to 40 per cent as part of the spending review.

The Department for Communities and Local Government is facing some of the biggest cuts to its budget, it is understood.

Treasury officials believe that the scale of the cuts will only be manageable if councils are forced to use their reserve pots.

A source close to Mr Osborne said: "The Chancellor and the Prime Minister have often referred to the large reserves councils have when asked questions about savings in local government. But there are no plans to seize them or restrict them."

The Government will initially demand that councils use the money in their reserves in the wake of the Spending Review.

The Treasury has not rules out the possibility of new legislation forcing local authorities to use their reserves in future, it is understood.

It came as the Local Government Association (LGA) said that that key local services will be put under "enormous pressure" if Mr Osborne slashes funding further.

The LGA, which represents more than 370 town halls in England and Wales, urged the Chancellor to bear the issues in mind when finalising the Spending Review.

Chairman Gary Porter said: "Our new analysis shows the significant spending pressures facing councils over the next few years even before the possibility of further funding reductions.

"Leaving councils to pick up the bill for new national policies while being handed further spending reductions cannot be an option."

A Treasury spokesman said: "While councils have worked hard over the past five years to deliver a better deal for local taxpayers, like the rest of the public sector they will have to continue playing their part in fixing the public finances, to ensure we deliver economic security for working people across the country."