
Meeting: Executive
Date: 13 July 2010
Subject: £1.166bn Local Government In Year Reductions
Report of: Cllr Maurice Jones, Portfolio Holder for Finance, People and Governance
Summary: The report sets out the impact of the in year reductions announced by CLG on 10 June and the steps being taken at Central Bedfordshire as a result.

Advising Officer: Richard Ellis, Director of Customer and Shared Services
Contact Officer: Matt Bowmer, Assistant Director Financial Services
Public/Exempt: Public
Wards Affected: All
Function of: Executive
Key Decision Yes
Reason for urgency An immediate response is required to the Government in year grant reductions.

CORPORATE IMPLICATIONS

Council Priorities:

In implementing the spending reductions every effort will be made to minimise the impact on the delivery of the Council's priorities.

Financial:

The detailed financial implications are set out in the report. There is a £1.5M reduction to previously announced funding in year, which is on top of the £12.037M efficiencies required by the Council's approved Budget for 2010/11. Further, there will be no allocations of Local Authority Business Growth Incentive (LABGI) or Housing & Planning Delivery Grant (HPDG), two funding streams which Central Bedfordshire received £1.8M in total in 2009/10.

Legal:

None

Risk Management:

None

Staffing (including Trades Unions):

There is a likelihood of staffing reductions as a consequence of the in year cuts in grant funding by Central Government.

Equalities/Human Rights:

An impact assessment is being undertaken on proposed spending reductions.

Community Safety:

Reductions in Road Safety Funding may have an adverse impact on Community Safety.

Sustainability:

Reductions in Housing and Planning Delivery Grant may affect the Council's Sustainable Development aims.

Summary of Overview and Scrutiny Comments:

- This report has not been considered by Overview & Scrutiny.

RECOMMENDATION(S):

that spending reductions be made in line with the Government grant reductions.

Reason for Recommendation(s): *Actions can be taken to address the in year grant reductions by Central Government.*

Executive Summary

Central Government has made in year reductions to a number of funding streams to Local Government, most notably Area Based Grant but also Housing & Planning Delivery Grant, Local Authority Business Growth Incentive, Performance Reward Grant and Department for Transport capital grants. The report sets out the detail of these reductions and proposes spending reductions in line with the lost grant and also use of Performance Reward Grant to offset potential redundancy costs.

Background Information

1. Very soon after the coalition was formed, an early announcement on £6.2bn of public sector cuts was made. Subsequently, the allocation of these cuts across Government departments was then set out. For local government, these translate into funding cuts of £1.166bn.
2. There had been speculation over recent weeks about the timing of the release of detailed Local Government reductions. That detail is now available through the announcement received on Thursday 10 June.

3. There are five elements to the Local Government reductions:
 - Area Based Grant
 - Local Authority Business Growth Incentive (LABGI)
 - Housing and Planning Delivery Grant (HPDG)
 - Performance Reward Grant (PRG)
 - Capital Grants
4. There was a subsequent announcement on 17 June by the Department for Culture Media & Sport (DCMS) cancelling the Free Swimming Grant.

Issues

5. Area Based Grant (AGB)
- 5.1 The table below sets out the reductions for Central Bedfordshire by sponsoring Government department. Appendix A sets out all of Central Bedfordshire's AGB allocations for 2010/11.

	£M
Communities and Local Government	0.104
Department for Education (DfE)	1.172
Department for Transport (DfT)	0.204
Home Office	0.025
Total for Central Bedfordshire	1.505

- 5.2 The ABG reduction for DfE represents 24% of the original allocation. The DfE has made a conscious decision to make an across the board reduction and not target individual spending lines. There had been an expectation of future reductions in grant here during the 2010/11 budget process and these have now come earlier than expected.
- 5.3 Unlike the DfE reductions there is a specific reduction in the Supporting People Admin grant. The reduction of £0.104M is Central Bedfordshire's total allocation.
- 5.4 The majority of the DfT reductions are in capital grants which is covered below. There is a revenue element to one of these though – Road Safety Funding and the loss to Central Bedfordshire is £0.204M.
- 5.5 There is little detail on the Home Office reductions other than being a pro rata reduction. Central Bedfordshire's share is £0.025M.
6. Local Area Business Growth Incentive (LABGI)
- 6.1 There will be no allocations in 2010/11; there had been a national pot of £50M. During 2009/10 a grant of £0.300M was received. This amount was not built into the base budget.
7. Housing and Planning Delivery Grant (HPDG)

7.1 There will be no allocations in 2010/11; there had been a national pot of £146M. During 2009/10 a grant of £1.4M was received. Although there has been a planned reduction in its use to support mainline activity, this is still partly built into the base budget. The effect for 2010/11 will be minimised through the use of an earmarked reserve of previous year payments. The coalition Government has not yet announced their proposals for the replacement of HPDG.

8. Performance Reward Grant

8.1 There are no individual authority figures published here as payment is dependent on performance. There are two different scenarios but both essentially represent a 50% reduction in previous expectations.

- For Local Area Agreements (LAAs) that ran from 2006 to 2009 there are to be no further claims but CLG will pay 50% where a target is achieved but the data was not available before December 2009.
- For LAAs that ran from 2007 to 2010, claims should be submitted as usual and 50% of the claim will be met.

8.2 These grants have always been paid in two instalments and the Government will honour the first, so effectively there will be no second instalment.

9. Capital Grants

9.1 The reductions here for Central Bedfordshire are singularly from the Department for Transport (DfT). This department has been allocated £309M of reductions and £275M of this will come from capital grants. There are a range of measures but only two, the Integrated Transport Block (ITB) and Road Safety Funding, impact on Central Bedfordshire. The Council share of these being £0.670M and £0.170M respectively.

10. Free Swimming Grant

10.1 There was a subsequent announcement on Free Swimming Grant. The annual free swimming grant is £0.222M. Although the grant, which provides for free swimming for people over 60 or under 16 years of age, was due to end on 31 March 2011, it has now been ceased with effect from 31 July 2010. This is an in year reduction of £0.148M.

Options

11. The most straightforward option for accommodating these reductions is for service spending plans to be reduced in line with the Government cuts as set out in Appendix A.

12. For Children's Services the impact of the £1.172M reduction across the individual elements of the ABG allocation is detailed in Appendix B. A very early analysis has been done on the impact of these grants and on first analysis £370,569k of the grant has not been fully committed and should be able to be targeted for reduction. The remaining amount will need to be negotiated with schools, some of whom have already received the relevant grants for the full year. Other projects may need to finish early, causing redundancy or the ending of contracts earlier than expected. Some of the grants are for substantive services and this is particularly the case in the light of the reduction of money for Connexions, which pays for staffing for guidance and advice for young people, i.e. the previous careers service. The Appendix B shows which of those grants could be more readily reduced in year. The remainder of the balance would need to be found by bringing forward the planned school improvement service reorganisation and deletion of some policy and management posts in Children's Services as the service will also have financial pressures in other areas as well as this in year cut in ABG.
13. For Sustainable Communities a range of activities are affected. In relation to Community Safety a series of projects aimed at crime reduction and reducing the level of road accident casualties will continue but at a reduced level to accommodate the funding reduction. The free swimming will cease on 1 August 2010. The published programme of works funded through the highways integrated transport capital programme will be republished with lower priority schemes removed to meet the cost of the 25% budget reduction.
14. The loss of ABG has an impact on both Central Bedfordshire and its partners. There is the likelihood of staffing reductions and potential redundancy costs and for this reason it is proposed that uncommitted Performance Reward Grant be used by all partners as the first call against these redundancy costs.

Appendices:

Appendix A – Area Based Grant Allocations for 2010/11

Appendix B – Children's Services ABG Reductions

Background Papers: (open to public inspection)

None