

# CABINET

## Scrutiny Panel Agenda Item 52 Appendix B (i)

Brighton & Hove City Council

<b>Subject:</b>	<b>2010/11 In-Year Government grant reductions</b>		
<b>Date of Meeting:</b>	<b>22 July 2010 Cabinet</b>		
<b>Report of:</b>	<b>Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Catherine Vaughan</b>	<b>Tel:</b> 29-1333
	<b>E-mail:</b>	<b>catherine.vaughan@brighton-hove.gov.uk</b>	
<b>Key Decision:</b>	<b>Yes</b>	<b>Forward Plan No. CAB17416</b>	
<b>Wards Affected:</b>	<b>All</b>		

### FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the report could only be finalised following the Council meeting on 15<sup>th</sup> July 2010.

#### 1. SUMMARY AND POLICY CONTEXT:

- 1.2 The Secretary of State for Communities & Local Government announced details of 2010/11 in-year grant reductions for all local authorities on 10 June. These totalled £3.55m for Brighton & Hove City Council covering both revenue and capital grants. There was a further announcement of a reduction in grant received from the Department for Culture, Olympics, Media and Sport on 17 June. On the 5 July the Secretary of State for Education announced reductions to the Education Capital programme relating to the Building Schools for the Future and Academies programme as well as high level reductions in the End Year Flexibility (EYF) allocations. Further details of the EYF allocations were announced on 14 July.
- 1.3 Cabinet on 17<sup>th</sup> June noted the details of the in-year grant reductions and agreed principles for dealing with the reductions and a timetable for decision making. A report was taken to Full Council on 15<sup>th</sup> July in accordance with that timetable for noting and comment. A summary of those comments and how they have been considered in the preparation of the recommendations has been included in this report. All the proposals contained in this report are considered to be within the remit of the Cabinet to agree as they are consistent with the Council's budget and policy framework.

#### 2. RECOMMENDATIONS

- 2.1 That Cabinet notes the comments made by Council on 15<sup>th</sup> July and how they have been considered in the preparation of this report.
- 2.2 That Cabinet agrees the expenditure reductions set out in paragraphs 3.14 – 3.21 required by the in-year grant reductions announced by the government.

- 2.3 That Cabinet agrees the use of alternative sources of funding as set out in Appendix 1.
- 2.4 That Cabinet agrees the Children and Young People Cabinet Member Meeting make decisions as required on changes to the Education capital programme as a result of the End Year Flexibility reductions.
- 2.5 That Cabinet agrees the Environment Cabinet Member Meeting make decisions as required on changes to the Environment capital programme as a result of the End Year Flexibility reductions for the Playbuilder programme.

### **3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:**

#### ***Government announcements***

- 3.1 The Chancellor of the Exchequer George Osborne announced on 24 May 2010 that £6.2 billion in-year savings would be made in the national budget for 2010/11. Local Government would contribute about £1.2 billion towards the overall target through reductions in government grants although very little detail of which grants and the impacts on individual authorities was given. In order to assist local authorities make the savings additional freedoms and flexibilities were given to authorities with the removal of the ring-fence around £1.7 billion specific grants allowing grant monies to be re-allocated according to local priorities. Again no details were given about which specific grants are affected.
- 3.2 The announcement on 10 June by the Minister for Communities and Local Government Eric Pickles set out details of £1.166 billion savings in 2010/11 local authority grants.
- 3.3 On 17 June the Secretary of State for Culture, Olympics, Media and Sport announced that the resource funding for the governments free swimming programme would cease on 31 July 2010. Details of the actual reduction in grant were received on 6 July which confirmed a reduction of 65% (£0.125m) of the grant funding originally due for 2010/11.
- 3.4 On the 5th July the Department for Education announced reductions to the capital programme. Brighton & Hove will not now be able to enter the Building Schools for the Future programme. The announcement confirmed the Brighton Aldridge Community Academy will not be affected by the reduction in the capital programme however the proposed Academy for Portslade is under discussion and a decision is awaited on any capital allocation for this scheme. Further information was received on 14 July relating to the reductions in the End Year Flexibility allocations and the impact where known has been included in appendix 3. Discussions with the Department for Education are ongoing and new information continues to emerge.

#### ***Interim action taken to minimise the financial impact***

- 3.5 Since the first announcement in May Officers have been preparing information on all the specific and capital grants the council receives in order to assist with the

decision-making process. This analysis has been refined to reflect the detailed list of government grant reductions and the commitments entered into to date.

- 3.6 A temporary moratorium has been placed on entering into any new spending commitments on all government grant funded services and on the transport capital programme until a revised funding package has been considered and agreed.

***Comments made by Full Council on 15<sup>th</sup> July 2010***

- 3.7 The roles and responsibilities of Council and Cabinet in relation to budget decisions are set down in legislation and relevant statutory guidance as well as the Council's own constitution. The combined effect of Local Authorities (Functions and Responsibilities) (England) Regulations 2000 and the Council's Budget and Policy Framework Rules mean that:
- The responsibility for making budgetary decisions on executive functions rests with the Cabinet unless the proposed expenditure or saving is outside the budget and policy framework.
  - If a proposed expenditure or saving is outside the budget and policy framework, then the approval of full Council is needed.
- 3.8 The in-year budget reductions are of real significance to the Council and the City and therefore merited a debate at Full Council. The comments made during the debate at Council are summarised below along with an explanation of how they have been considered in the preparation of this report.
- 3.9 The Full Council debate covered a wide range of issues including the national economic position and policy perspectives on how this should be addressed and openness and transparency in decision making. Some specific projects were mentioned during the debate, in particular those funding from the Youth Capital Fund. This report sets out the proposal to protect existing commitments in this area by replacing the lost grant funding with monies from the one-off risk provision. The following amendments to the report were agreed by Full Council:
- That in recognition of the huge investment that the Third Sector brings to city service delivery to residents in terms of funding, in-kind support and volunteer time, it be noted that service provision stands to be more adversely affected by the withdrawal of grants and contracts; and
  - That in regard to the above, any change in service as a result of these in-year cuts must be subject to a rigorous impact assessment prior to any decisions being made. This assessment to involve the organisations providing the services that are best placed to demonstrate the impact of their work and service users in the wider community who will have strong views about the support that they need and want.
  - To request the Overview & Scrutiny Commission and relevant Scrutiny Committees undertake a full scrutiny examination of the in-year reductions to fully assess their impact.

- 3.10 An urgent discussion will be held with the Chair of the Community & Voluntary Sector Forum on the impact of these proposals on the Third Sector and an oral update will be provided to Cabinet.
- 3.11 This report will be considered as a late item by the Overview and Scrutiny Commission on Tuesday 20<sup>th</sup> July and an oral update on the discussions will be provided to Cabinet.

***Principles for dealing with the reductions and proposals***

- 3.12 Principles were agreed by Cabinet on 17<sup>th</sup> June for dealing with the grant reductions, in particular setting out the nature of those decisions that would be consistent with the council's existing budget and policy framework and the nature of any decisions that would require approval by Full Council.
- 3.13 Since the Cabinet meeting on 17<sup>th</sup> June further work has been undertaken to determine what factors would be taken into consideration when prioritising the areas for grant reductions. These include:
- the extent to which funding has already been spent or is contractually committed;
  - the deliverability of specific proposals to reduce expenditure for example in terms of complexity or lead in times;
  - proposing as far as possible a fair distribution of grant reductions across the council and its partners including the community and voluntary sector so that no single agency has a disproportionate impact; and
  - anticipating the national policy direction and how the requirements being placed on local authorities in certain areas might be reduced.

***£1.580m reduction (24%) in Area Based Grant (ABG) funding received from the Department of Education (DoE).***

- 3.14 There are a number of areas of work funded by ABG where the government is signalling changes in policy direction and long term reductions in funding which the council needs to anticipate and respond to. There are summarised below:
- **Connexions service - £500,000 reduction**  
There are strong indications that the government will move from a Connexions service in its current form and shift responsibility for statutory information advice and guidance (formerly known as Careers guidance) directly to schools. It is likely that the rest of the grant will be vulnerable in the longer term. The reduction anticipates this change while protecting that element of the service that we assume will continue. This will mean de-commissioning some of the targeted services provided and this will impact on both council and community and voluntary sector provision. This reduction is in addition to the £200,000 reduction in spend on the Connexions service agreed as part of the budget setting process for 2010/11.
  - **School improvement £435,000 reduction**  
A fundamental shift in the local authority's relationship with schools is expected which will be matched by long term funding reductions particularly for the local authority's school improvement function. The local authority's role will become more strategic and its operational service will be focused on

schools with the greatest need (ie low levels of attainment or in an Ofsted category). The proposed reduction in ABG will therefore be managed as part of an overall review of the CYPT's school improvement function to ensure a core offer is available to schools in need and will involve consulting with schools about the viability of offering a buy back service. This review will include the management of the reduction of central support for the National Strategies which are due to end in March 2011 anyway.

- Extended schools £48,000 reduction  
We anticipate that in the future the government will only fund the childcare element of extended schools funding through local authorities and it will be up to schools to determine what their extended offer should be. The proposed reduction of 15% in this area is considered to be a reasonable interim step.

Further savings have been identified as follows;

- Children's Fund grant allocation has £167,000 uncommitted
- A review of 14-19 provision following the council taking on responsibility from the Learning & Skills Council in April this year has resulted in £30,000 efficiency savings.
- £115,000 can be achieved through releasing projected underspends against the grant funding, not recruiting to existing vacancies and smaller efficiencies savings.

In addition £195,000 of Dedicated Schools Grant (DSG) will be used to protect all of the funding currently in ABG for the Autistic Spectrum Condition support service , speech therapy services and a learning mentor in the Behaviour & Attendance team. A further £90,000 of DSG has been earmarked to support ABG reductions as a whole.

***£105,000 reduction (26.5%) in Road Safety Grant Revenue plus £88,000 in Road Safety Grant Capital (100%)***

- 3.15 This overall 40% reduction in grant will be passed on to the Road Safety Partnership who will need to reprioritise within the reduced funding available. Given the severity of the reduction, discussions are now underway with West and East Sussex County Councils, Sussex Police Authority and Her Majesty's Court Service and Sussex Safer Roads Partnership, to determine the future viability of the Partnership and implications of the pan Sussex road safety programme. Proposals will be developed by the end of July.

***£30,000 reduction (7.8%) in Home Office funding and £56,000 reduction (29%) in Prevent Grant***

- 3.16 These savings will be achieved through a combination of additional income, efficiency savings and a reduction in specific projects to be agreed in consultation with the community.

***£164,000 reduction (100%) in Supporting People Administration***

- 3.17 The government's expectation is that Supporting People Administration could be incorporated into the administration of other related activities. In the short term this will be funded from an underspend that is created through low utilisation/voids in some services, re-charging and also an additional saving that was created due to decommissioning a service earlier than planned. £119,000 of the reduction will be funded from underspends in the Supporting People welfare grant and the remaining £45,000 from the Housing Strategy revenue budget. There is no reduction in any current funding levels for any of our Supporting People services in this financial

year so there will be no impact on existing services. As part of the planning for the 2011/12 budget consideration will be given to how the administration of Supporting People could be delivered alongside other services to achieve this saving on a recurrent basis.

***£120,000 reduction (100%) in Housing & Planning Delivery Grant***

- 3.18 The original intention of Housing and Planning Delivery Grant was to act as an incentive to local authorities to bring forward housing and prepare the ground for increased delivery but is now considered by the Government to be an ineffective and excessively complex incentive. Therefore on value for money grounds the council will reduce its related staffing expenditure accordingly and consider alternative models for meeting its aspirations in respect of housing numbers.

***£125,000 reduction (65%) in Free Swimming Grant***

- 3.19 This reduction assumes free swimming for Under 16s and Over 60s stops at the end of July. One off funding of £25,000 will be drawn from the risk provision to take this to the beginning of September in order to ensure that free swimming for both age groups can take place throughout the school holidays as this has already been publicised to families and carers. In addition the PCT has committed to provide £38,500 funding to enable free swimming for Under 11s to continue until the end of March 2011 as part of their work on reducing obesity in this age group. A further £8,000 will need to be provided by the Council to put this in place.

***£171,000 reduction (100%) in LABGI funding***

- 3.20 This funding had not yet been committed so there is no impact on services of this reduction.

***£1.240m reduction (76% of Integrated Transport capital grant funding) for Local Transport Plan (LTP)***

- 3.21 This has been a particularly difficult area to make the required funding reductions due to earlier reductions in the LTP programme, contractual commitments, match funding requirements particularly for the projects with Civitas and Cycle England, essential highway maintenance and the need to prioritise road safety.

£431,000 will be saved by deferring projects that have not yet commenced with a view to re-profiling them into future year's programmes should they still remain a priority.

- Final minor works at the North Street Scheme (£42,000)
- New Road/Church Street Scheme (£55,000)
- A 50% reduction in funding set aside for the Queen's Park Safer Routes to Schools Scheme, which is currently out for consultation (£55,000)
- East Street Walking Scheme (£250,000)
- Walking Facilities – Dropped Kerbs (£29,000)

The following capital budgets totalling £115,000 will be removed or reduced:

- Design of future schemes (£35,000)
- Contingency for residual spend on completed schemes (£79,000)
- Other public transport information will be reduced by £4,000 with £2,000 transferred to pedestrian signing and £1,000 accessible bus stops (£1,000)

As this is somewhat short of the funding reduction required alternative funding sources have been identified to safeguard other important pieces of work:

- the Woodingdean Crossroads scheme which is considered essential to maintain effective traffic flows once the Community Stadium is operational through capital receipts funding connected to the sale of land at Park Wall Farm, Falmer (£410,000)
- ensure no cuts to the street lighting budget through use of a windfall capital receipt in relation to successful legal challenge on the coast protection scheme (£150,000)
- a further contribution from the coast protection monies to support the Bridges/Structures budget (14,000)
- fund the statutory Highways Asset Management Plan from revenue resources through reprioritising some minor highways works (£120,000)

The revised LTP programme is shown at Appendix 2.

***Impact of the further announcements in from the Department for Education made on the 14<sup>th</sup> July***

3.22 Further announcements have been made by the Department for Education (DfE), Those in respect of capital have been particularly complex and have been gradually clarified but are not yet necessarily fully understood at the time of writing this report. They have been summarised at Appendix 3. The government is making reductions in co location projects but the Whitehawk Co-location project is sufficiently well progressed that it will not be one of the projects to be cut. The project is on target to meet its aims and will therefore be one of 98 projects to receive continued funding. Most other funding reductions are still being analysed at the time of writing this report. Any further updates will be provided to Cabinet orally at the meeting. In many cases the DfE is withdrawing funding for specific schemes and this will mean they are unable to go ahead. The only area where it is proposed for the Council to provide additional funding to offset the lost grant is the £61,000 reduction in the Youth Capital Fund. It is proposed that the council replaces this grant reduction from its one off risk provision in order to minimise the impact on the community and voluntary sector of the 28 one-off projects funded from this source. If this was not done there is a risk that a significant number of those projects would be unable to go ahead. It is proposed that the relevant Cabinet Member Meetings take any necessary decisions on reductions in expenditure that may be required as a result of this.

***Removal of ringfences***

3.23 It is not proposed to make use of the additional flexibility provided by the removal of ringfences on certain grants because these remain priority areas for expenditure. This means for example that there will be no reduction in planned expenditure on HIV/AIDS support grant.

**Staffing Implications**

3.24 The proposed expenditure reductions result in an estimated reduction of 41 posts across the council. The council is committed to working positively with staff and unions to avoid compulsory redundancies wherever possible through redeployment and has a good track record of keeping compulsory redundancies to an absolute minimum. Funding has been set aside from the risk provision to meet any redundancy costs.

- 3.25 To minimise the impact on staff directorates have been operating vacancy management controls for some time. Human Resources are coordinating the following measures:
- The examination of every post to be advertised as a possible redeployment for staff at risk before other applications are considered.
  - Searches for alternative employment options across the council and externally in partnership with the Trade Unions.
  - Supported trial periods and identification of training needs.

#### ***Summary of funding sources***

- 3.26 A range of alternative funding sources have been proposed above and these are summarised in Appendix 1.

### **4. CONSULTATION**

- 4.1 There has been early consultation with the Trades Unions on the in-year grant reductions. Statutory consultation will be required with staff affected and the Trades Unions once the detailed proposals are agreed. Preliminary discussions have taken place with Sussex Police, the Community & Voluntary Sector Forum and the Primary Care Trust on the potential implications for services that are jointly funded. These will need to be continued as more detailed information on implementation is developed,

### **5. FINANCIAL & OTHER IMPLICATIONS:**

#### Financial Implications:

- 5.1 These are contained in the main body of the report.

*Finance Officer Consulted: James Hengeveld*

*Date: 19/07/10*

#### Legal Implications:

- 5.2 The respective powers of Council and Cabinet in the decision-making process are set out in the body of the report. The details of how the in year reductions announced by the government are implemented in Brighton & Hove is a matter for the City council's discretion. In exercising its discretion, the council is required to act reasonably. This includes a requirement not to fetter its discretion by adopting rigid/inflexible rules or policies, the need to consider the particular circumstances of each service affected, the need to undertake any necessary consultation with those affected where relevant and proportionate given the practical limitation imposed by time. Above all, the council needs to show that it considered all available options with an open mind. The council should also avoid taking any action that involves a breach of its statutory duty or failure to provide services that are mandatory.

Lawyer Consulted:

Abraham Ghebre-Ghiorghis

Date: 19/07/10

#### Equalities Implications:

- 5.3 Equalities implications have been taken into account when prioritising the areas for grant reductions. An equalities impact assessment on the Connexions Service reduction is in progress to assist with the detailed decisions on implementation.



#### Sustainability Implications:

- 5.4 The revised LTP programme maintains funding for existing sustainable transport schemes.

#### Crime & Disorder Implications:

- 5.5 The small reduction in the funding for Prevent is not considered to have any significant crime and disorder implications.

#### Risk & Opportunity Management Implications:

- 5.6 As part of the process of drawing up the proposed expenditure reductions risk implications have been taken into account for example:
- Considering any legal and contractual implications
  - Considering the implications on wider schemes particularly provided by the community and voluntary sector
  - The lead in times required for delivery of savings

The one off risk provision of £0.5m has been set aside to deal with any residual risks that may arise during the detailed implementation of the proposals and any unforeseen delays.

There is a risk associated with the projected capital receipt from Park Wall Farm as it is subject to negotiation and an agreed sale. £150,000 has already been incorporated into the council's forward projections. Any additional receipt above £150,000 will fund the proposals at Woodingdean crossroads and the remaining windfall income of £338,000 from the Coast Protection legal challenge will be set aside to cover this potential eventuality.

#### Corporate / Citywide Implications:

- 5.7 Covered in the body of the report.

### **6. EVALUATION OF ANY ALTERNATIVE OPTION(S)**

- 6.1 When any decisions are taken on reducing expenditure or seeking alternative sources of funding there are always a multitude of options available. The proposals in this report start from the premise that if funding has stopped or reduced then the service will be stopped or reduced accordingly. Alternatives to this could include proposing savings in unrelated service areas or to consider the use of any available reserves. The former option would restrict the availability of such savings to offset the council's budget shortfalls on its mainstream budget areas both in the current financial year and in the future. The scale of these shortfalls is set out in the reports elsewhere on this agenda in relation to TBM Month 2 forecast for 2010/11 and the 2011/12 budget setting process. The use of any available reserves could only provide a short term solution to an underlying reduction in available funding and would simply defer the need to make difficult choices about the sustainability of the services funded by specific grants. Given the serious financial challenges faced by the Council it is recommended that decisions be taken now wherever possible to reduce expenditure in line with the grant funding reductions.

## **7. REASONS FOR REPORT RECOMMENDATIONS**

- 7.1 In-year reductions in spending need to be made quickly to match the reduction in government grants in order to protect the council's overall financial position. The scale of the reductions would increase as the year progresses and there are fewer months left in which to make the savings.

### **SUPPORTING DOCUMENTATION**

#### **Appendices:**

1. Summary of grant reductions
2. LTP reductions
3. Latest Department for Education announcements

#### **Documents in Members' Rooms**

None

#### **Background Documents**

1. Files held within Strategic Finance section
2. Government announcements on the 24 May ,10 June and 17<sup>th</sup> June 2010 details of which can be found on the Treasury and the Department for Communities & Local Government websites and Department for Culture, Olympics and Sport websites.
3. Brighton & Hove City Council Budget report, Feb 2010.
4. Cabinet report 17<sup>th</sup> June 2010 on 2010-11 in-year grant reductions
5. Council report 15<sup>th</sup> July 2010