



Leicester
City Council

CABINET

12 JULY 2010

NATIONAL SPENDING CUTS - RESPONSE

Report of the Chief Finance Officer

1. Introduction and Recommendation

1.1 The Cabinet is asked to:

- (a) note that the Government has made cuts to local authority grants in 2010/11 and plans to accelerate the speed of spending reductions between 2011/12 and 2014/15;
- (b) approve a moratorium on entering new commitments, as described in this report, pending a review of previously agreed spending plans;
- (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);
- (d) notwithstanding the loss of grant from Government, to maintain free swimming for children during the summer holidays.

2. Background

2.1 On 24 May, the Government announced a programme of £1.2bn cuts to local authority funding in 2010/11. This reduced amounts previously allocated, and the City has lost an estimated £6.9m of direct funding from the Government.

2.2 On 22 June, the national budget anticipated real terms cuts in funding for non-protected public services (which includes most of local government) of 25% over four years. This accelerated the programme of spending reductions indicated by the previous government, in order to reduce national debt.

2.3 The above will mean significant reductions in resources available to the Council. By 2015, this could amount to £100m in real terms compared with our original plans for 2010/11.

2.4 Cabinet has indicated a wish to take stock, and review:

- (a) expenditure funded by the £6.9m grant which has now been cut;
 - (b) other existing spending plans (revenue and capital) which are not yet committed.
- 2.5 This review will be complete and reported to Cabinet on 2 August. The Select Committee will be invited to comment on the proposals on 28 July.
- 3. Moratorium**
- 3.1 The purpose of a spending moratorium is to ensure that new commitments are avoided during the course of the review.
- 3.2 Officers have been asked not to:
- (a) enter new contractual or grant aid commitments, subject to a de minimis level of £0.1m;
 - (b) implement any growth approved in the 2010/11 budget, or other decisions granting new money, where these have not already been committed.
- 3.3 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 (although, given the general climate, value for money needs to be a prime consideration in any such contracts);
 - (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 already started (eg disabled facilities grants).
- 3.4 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. Free Swimming

4.1 The Council currently receives grant of £267,000 (in 2009/10) to provide free swimming for over 60s and under 16s. This grant will now cease on 31 July.

4.2 Decisions arising from this will be taken by Cabinet on 2 August. However, Cabinet is asked to consider maintaining the provision for under 16s during August whilst schools are on holiday. This will cost an estimated £50,000 in lost income (August is the busiest month) and the financial consequences will be dealt with in the 2 August report.

5. Financial, Legal and Climate Change Implications

5.1 Financial Implications

This report is exclusively concerned with financial issues.

5.2 Legal Implications

None.

5.3 Climate Change Implications

None.

6. Other Implications

	<u>YES/NO</u>	<u>Paragraph references within the report</u>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

7. Report Author/Officer to Contact

Mark Noble
Chief Finance Officer
29 June 2010

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