



Leicester  
City Council

**WARDS AFFECTED**  
All Wards

## **FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**

**Performance & Value for Money Scrutiny Committee**  
**Cabinet**

**9<sup>th</sup> August 2010**  
**16<sup>th</sup> August 2010**

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### **Impact of Government Cuts to 2010/11 Funding**

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#### **Report of the Chief Finance Officer**

##### **1. Purpose of Report and Summary**

- 1.1. The purpose of this report is to outline the impact on the Council of the Government's cuts to 2010/11 funding and seek approval to the package of proposals to manage these cuts.
- 1.2. Addressing in-year spending cuts has been challenging, but this report proposes a balanced package of spending reductions supported by redirection of other funds to reduce the impact.

##### **2. Recommendations**

- 2.1 The Performance and Value for Money Select Committee notes the report and makes any comment to Cabinet.
- 2.2 Cabinet members are asked to:-
  - (a) note the £7.7m of in-year cuts imposed by the Government for 2010/11 and their impact;
  - (b) note that this is additional to reductions from other bodies such as EMDA, and that the position continues to change;
  - (c) approve the package of funding reductions and the use of £1.9m to mitigate the impact of the government funding cuts;
  - (d) approve the other measures described in this report to manage within reduced resources in 2010/11;
  - (e) approve the lifting of the moratorium on new spending commitments originally approved by Cabinet on the 12<sup>th</sup> July;

- (f) approve the transfer of certain uncommitted earmarked reserves to general reserves as described in paragraph 7;
- (g) Given the urgent need to implement reductions, agree to waive call in rights in accordance with Cabinet Procedure Rule 12 (d).

### **3. Summary**

- 3.1 The Government announced a package of £6.2 billion of in-year cuts in public spending on 24<sup>th</sup> May. In a very unusual move, this included reductions to funding streams already announced for the current financial year. Almost a fifth of the reductions, £1.2bn, are to local government funding streams; in addition, there will be indirect effects on the Council from the cuts made to other bodies. Further reductions were announced on the 5<sup>th</sup> July and at the time of writing there are still some education grants at risk.
- 3.2 Total in-year cuts in grant received directly from Government amount to £7.7m. The scale of such in year funding cuts is unprecedented and has presented real challenges in managing these reductions. There remains risk over the Council's funding for certain education capital grants – Playbuilder and Surestart. In addition, the Council has very recently been advised that funding for integrated services in BSF secondary schools will be reduced by £1.5m.
- 3.3 In year budget cuts mean that for practical purposes the Council has very little time in which to consider how to respond. In the limited time available, we have endeavoured to go through as robust a process as possible, but options have been limited. The approach has been:-
  - to start with the assumption that cuts rest where they fall;
  - to test the assumption by assessing the impact, and consider whether other resources could be diverted. In particular, options have been evaluated so as to protect jobs and services as far as possible;
  - to recognize that we need to protect our position in respect of the longer term outlook for public finances, meaning it is unwise to consider measures such as diverting the Council's general reserves.

### **4. Report**

#### **Overview**

- 4.1 The Government announced a package of £1.2 billion of in-year cuts to local government on 24<sup>th</sup> May. Further cuts have since been announced.
- 4.2 Formula grant (the main unringfenced grant that supports the revenue budget of local authorities) allocations will not be reduced in 2010/11. There are also no in-year reductions to schools' budgets.
- 4.3 The emergency national budget on 22<sup>nd</sup> June envisaged very substantial further cuts to public spending in the period 2011/12 to 2014/15. Other than education, a minimum of 25%

real terms cuts in grants to the Council are envisaged. It is estimated that real terms reductions in government grant will amount to £100m over the next four years.

- 4.4 Total in-year cuts in grant received directly from Government amount to £7.7m (so far). Details of the Government cuts are summarised in the following table:

	<b>£000</b>
Transport Capital	2,000
Children's Services Area Based Grant (ABG)	2,514
Working Neighbourhoods Fund - ABG	905
Other ABG	382
Business Growth	247
Planning Grant	225
Free swimming grant	267
Other Education Grants (est)	1,123
<b>Total</b>	<b>7,663</b>

- 4.5 Other funding bodies have also been affected by in-year budget cuts, and will be passing on these cuts to the projects they fund. These include:

- East Midlands Development Agency (EMDA) funding. Projects at risk include the Science Park project and the New Business Quarter.
- The Arts Council has had to cut its budget by £18 million; a 0.5% cut is being passed on to all regularly funded organisations and other projects. In Leicester, this will have a direct impact on funding for Curve (£10,000) and a small impact on the City Gallery.
- The Department for Culture, Media and Sport has also ceased funding for Find Your Talent (young people's arts and cultural projects) and whilst there is no direct financial impact for the Council, it will diminish the range of activities in this area. Funding for Renaissance in the Regions (a regional museums development programme managed by the Council) has been reduced by around £155,000 and this will reduce the number of projects in the region with an estimated loss to projects in Leicester of £10,000 to £30,000.

- 4.6 Since preparing these proposals, a further reduction of £1.5m has been made for integrated services in BSF secondary schools, which will reduce the scale of works in schools affected.

### **Our Approach**

- 4.7 The Council's approach to managing these in year government funding cuts has been to seek to protect services and jobs as far as is possible, whilst recognizing the longer term outlook on public finances and the need to be adequately prepared for the significant challenges ahead.
- 4.8 The package of proposals in response to the funding cuts redirect some resources to help deliver priorities and mitigate the impact of significant reductions in transport and children's services. Full details of proposals are outlined below.

### **The Proposals**

The implications and proposed actions to manage the Government cuts are:

#### **4.9 Transport Capital**

- 4.9.1 The total transport capital allocation has been reduced by £2 million in 2010/11. The main element of this has been a £1,390,000 cut in the integrated transport programme which represents a 25% cut in previously announced funding. Other cuts were £450,000 from the urban congestion fund and £80,000 each for road safety and the Primary Route Network bridges.
- 4.9.2 With regard to the integrated transport programme, the funding reduction of £1.39 million is proposed to be met primarily by deferring previously planned transport schemes and by an additional Council contribution of £280,000. A schedule of schemes deferred is shown in the following table. These schemes will be reviewed in 11/12 in the light of all priorities and the Government funding settlement for that year.

<b>Scheme</b>	<b>Value £</b>
Aylestone Old Mill Bridge – repair work will be deferred and the bridge closed to traffic	363,000
Melton / Troon junction improvement – preliminary design of scheme deferred	25,000
New Signing & Lining (Industrial Areas) – erection of direction signing and road marking deferred	30,000
Network Improvements (SCOOT etc.) – SCOOT is a tool for managing and controlling signals in urban areas. The on-going planned upgrade will be delayed.	50,000
Systems Integration / Upgrade – fibre optic network in Belgrave area	50,000
St. Nicholas Circle / Peacock Lane Pelican – scheme deferred	50,000
Level Access at Bus Stops – programme of introduction of raised kerbs at bus stops slowed	50,000
City Centre Bus scheme – preliminary design of city centre improvements forming part of the third local transport plan slowed down	400,000
Network performance monitoring server and CCTV camera upgrades – deferred	92,000
<b>Subtotal – schemes which will be delayed</b>	<b>1,110,000</b>

City Council Additional Contribution	280,000
<b>Total</b>	<b>1,390,000</b>

- 4.9.3 The cut in the urban congestion fund can be managed from uncommitted resources, as the expected allocation (dependent on performance against congestion targets) had not been allocated to schemes. However, the reduction in funding means that other improvements to relieve congestion such as extending quality bus corridors cannot now be funded. The Road Safety and Primary Route Network bridges grant funding reductions of £80,000 each will be met by not utilising the funding for additional schemes.
- 4.9.4 In addition to the reductions in capital resources, it is now projected (mainly due to the reduction in scheme expenditure) that there will be a revenue budget shortfall in internal design/supervision fees estimated at up to £0.5m in 2010/11. This is because there are less capital schemes for design teams to work on and charge costs to. This shortfall would increase (assuming a 30% reduction in future capital allocations, and no new Community Infrastructure Funding and/or New Growth Point Funding) to £1.5 million p.a. thereafter. Whilst the shortfall in the current financial year is planned to be met from savings in other revenue budgets, the 2011/12 and onwards shortfall can only be addressed by significant cuts to staffing of up to 15 posts.
- 4.9.5 There is an uncommitted balance of £820,000 within the capital maintenance programme from schemes which have been held back, particularly Abbey Lane resurfacing. To help address road maintenance issues an additional council contribution of £245,000 is proposed and a separate report is on your agenda outlining proposals for the transport capital maintenance programme.

#### 4.10 Children's Services ABG

- 4.10.1 The Children's Services ABG allocation for 2010/11 has been reduced by £2.5m, a reduction of 24%, which is clearly significant. Given the scale of the reductions a number of options have been explored which seek to address the funding shortfall, whilst mitigating its impact on front line services. To mitigate this, the Schools Forum has agreed in principle to provide £0.75m, with the Council adding £1.05m from other sources. This leaves reductions to be found of £0.714m.
- 4.10.2 The approach to these reductions has been to identify uncommitted revenue budget growth in the current year that could be released, and to look to make savings in existing ABG projects which would have the least impact on key priorities. The proposals are:

	£000
<b>Contributions from Other Funding Sources</b>	
Schools Budget – Dedicated Schools Grant from earlier years <i>(approved in principle by the Schools Forum on 13<sup>th</sup> July)</i>	750
City Council Contribution	1,050
<b>Subtotal</b>	<b>1,800</b>

<b>Revenue Budget Growth 2010/11 Uncommitted</b>	
Primary School Children – Access to Laptops – reduced funding <i>(The One Leicester Commitment will be met by a targeted local pilot scheme complemented by the National Home Access Scheme)</i>	230
Data Capture, Management and Analysis (First half year funding can be released as implementation delayed due to corporate review)	50
<b>Subtotal</b>	<b>280</b>
<b>ABG Reductions from Efficiencies, Vacancies, Early Termination</b>	
National Strategy – early termination	51
Young People’s Substance Misuse – vacancies	41
Extended Rights to Free Transport – funding not required	10
Emergency Flexible Support Worker – deferred implementation	32
Grant to Connexions Service – efficiencies and prioritisation	300
<b>Subtotal</b>	<b>434</b>
<b>Total Savings</b>	<b>2,514</b>

#### 4.11 Other Children’s Services Grants Reductions

4.11.1 In addition to the significant reduction to Children’s Services ABG allocation the Department for Education has announced a number of other grant reductions which have an impact on the Council. These reductions total £1.1m and will rest where they fall. The impact of these reductions are outlined below:

##### Playbuilder Revenue Grant

The £13,000 revenue grant to assist in the development of new play facilities has been removed. This reduction is small and will be managed within the overall resources available for Children & Young People.

##### Buddying 0 – 7 Pilot Project

The grant allocation of £115,000 has been reduced to £28,000, a reduction of £86,000, by funding ceasing at the end of June. The purpose of the funding was to enable staff in schools, other early years settings and childminders to work together more effectively, for example taking part in joint activities such as coaching and mentoring, shadowing and joint training. The cessation of funding will bring these initiatives to an early end.

##### Local Delivery Support Grant

This supports the infrastructure to deliver 14-19 reforms, including the development of diplomas, foundation learning and functional skills. The original grant allocation of £208,000 (in itself a significant reduction from 2009/10) has been reduced by £51,000, a 25% reduction. This will present a significant impact for the City, with challenges in maintaining the infrastructure within Children’s Services, the Secondary Education Improvement

Partnership and within secondary schools to support and develop these areas and to review the established plans.

#### Training Development Agency Grants

In 2009/10 the Council received £237k for training of teachers and support staff. This funds training and cover for school staff whilst being trained. Funding in 2010/11 has been reduced by £149,000, with the deletion of the support staff training grant and a reduced workforce grant. This will directly affect schools in that funding for training support staff and reimbursing schools is substantially affected. A plan of the activities that the reduced grant will support is being drawn up.

#### Extended Services Capital Grants

This grant relates to extending services for schools such as afterschool clubs and breakfast clubs and can include equipment purchase and building alterations. It is also planned to contribute to the development of Integrated Services Hubs in Leicester, with key links to the BSF programme to rebuild and refurbish secondary schools. The original allocation was £316,000 in 2010/11 (as part of a £1.5m programme from 2008-2011), but has been reduced by £172,000 and will result in reduced funding for new extended services facilities in schools and/or the Integrated Services programme.

#### Youth Capital Fund

This fund had been reduced by half to £105,000. It funds a range of projects across statutory and voluntary youth sector provision and allocations are made in partnership with young people. Existing commitments will be met by reprofiling some expenditure into the Youth Opportunities Fund, which was not fully committed, and from which the ringfence has been removed.

#### Harnessing Technology Capital Grant

This provides capital funding for schools' IT and is also used for City-wide work such as the broadband network for schools. The grant has been reduced by half (£547,000). There will be a direct impact on the allocation to schools, which were issued earlier in the year and will therefore need to be clawed back.

#### Co-location Fund

The co-location funding of £2.64m for the refurbishment of accommodation for vulnerable people at the YMCA's East Street centre will continue to be funded. However, the funding for developing Integrated Service Hubs in BSF secondary schools has been cut completely. The Integrated Services element of the co-location grant is now £1.7m, a reduction of £1.5m, which will be used to deliver the developments planned for non-schools sites (such as youth centres). This is a late announcement and not included in the table of £7.7m reductions.

#### Surestart and Playbuilder Capital Grants

The government is seeking savings on these two capital grants and has asked all councils for details of commitments. Information has been supplied and details of any grant reductions are awaited. There are some potentially significant implications for schemes that had reached an advance stage but which had not reached contract close.

Given the uncertainty around education capital growth, the Council proposes to provide a sum of £0.3m to mitigate the impact.

#### 4.12 **Working Neighbourhoods Fund – ABG**

The Working Neighbourhood Fund (WNF) is a dedicated fund for local councils and communities to develop more concentrated, concerted, community-led approaches to getting people in the most deprived areas back to work. The Council's £9.2m allocation has been reduced by £905,000, a cut of 10%. This reduction will be met from the uncommitted balance on this fund.

#### 4.13 **Other ABG**

Other ABG covers the following:

##### Supporting People Administration Grant

4.13.1 The supporting people administration grant funds 26% of the administration costs of managing the £13.7m supporting people programme, the remainder of administration costs (£413,000) are funded by the Council. All Government support (£146,000) for funding administration costs has been withdrawn. Given the scale of the reduction and the need to continue to manage this significant programme it is proposed to 'top-slice' the budget for supporting people activities (also funded by ABG) to cover the shortfall in the administration grant. This would reduce the amount spent on commissioning contracts for service users.

##### Prevent

4.13.2 Prevent aims to address the underlying causes of violent extremism. It builds on and is linked to local partners' wider work to create and support cohesive, resilient and empowered local communities. Funding of £350,000 has been reduced by £102,000, a 29% cut. There are sufficient unspent resources to manage this reduction in 10/11; however, it will reduce the planned carry forward of unspent grant to allow for spending on core Prevent work beyond March 2011 when funding ceases.

##### Road Safety Grant

4.13.3 Funding of £357,000 has been reduced by £95,000, a cut of 27%, and a capital grant of £80,000 has been lost entirely. The budget has sufficient unspent money to manage these reductions, but there will be a reduction in the number of new road safety cameras installed.

##### Home Office

4.13.4 Total funding of £495,000 is provided to address young people's substance abuse and to promote stronger, safer communities. This element of grant has been cut by £39,000 and



there is sufficient uncommitted spend to manage this reduction in year. However, this will reduce the money available to the Safer Leicester Partnership in commissioning services to achieve its objectives of reducing crime, developing stronger neighbourhoods & tackling the harmful effects of drugs and alcohol.

#### **4.14 Business Growth Incentives (Local Authority Business Growth Incentives)**

The Government had previously indicated that the Council would receive a payment of £247,000 related to growth in business rates as a consequence of local economic growth. The purpose of the scheme is to encourage local authorities in their local economic development activities by providing a financial incentive. Given the complex allocation methodology no payment had been budgeted for. However, the loss of the indicated payment clearly represents a loss of resources to the Council.

#### **4.15 Housing & Planning Delivery Grant**

- 4.15.1 The Government has announced that it will make no allocation for this grant in 2010/11. This grant was given for meeting service targets in the planning process, which are to be removed. £225,000 was budgeted in 10/11, which funds 6 establishment posts (planners). There is sufficient under-spend from the grant in 2009/10 to fund the posts in 2010/11, but this will require to be resolved for 2011/12 onwards.

#### **4.16 Free Swimming**

- 4.16.1 The Council currently receives grant of £267,000 (in 2009/10) to provide free swimming for over 60s and under 16s. Rather than the scheme continuing until March 2011, the Government has announced that this grant will now cease on 31 July.

- 4.16.2 Cabinet has already agreed to maintain the free 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 will be funded half by the Primary Care Trust and half by the Council. Free swimming for under 16s will cease at the end of August, but older people's free swimming will continue as previously. Should resources permit, Cabinet may wish to consider providing further support for free swimming in subsequent schools holidays.

### **5. Spending Moratorium**

- 5.1 The spending moratorium on new commitments approved by Cabinet on 12<sup>th</sup> July can now cease, although given the future outlook on public spending care should be continued to be exercised in entering into new commitments that may limit the Council's flexibility to respond to the future challenges or may present additional spending pressures.

### **7. Other Matters**

- 7.1 In order to provide the Council with some additional flexibility for the 2011/12 budget it is proposed to transfer the uncommitted balances of the following earmarked reserves to general reserves:

- a) Savings from tree planting programme - £50,000  
(the programme to plant 10,000 trees can be completed

without this money)	
b) Talk up Leicester reserve	£265,000
c) Uncommitted 2008/09 LABGI	£272,000
d) Uncommitted LPSA rewards	£900,000

## 8. Financial, Legal and Other Implications

### 8.1 Financial Implications

The report deals solely with the impact of the Government cuts in 2010/11 funding. In mitigating the in-year cuts Council resources have been redirected as follows:

	£000s
<b>To support:</b>	
Children's ABG reduction	1,050
Children's Services capital funding	300
Additional transport support - Integrated transport programme	280
- capital maintenance	245
Free swimming for school children in August	50
<b>Total</b>	<b>1,925</b>
<b>Funded by:</b>	
Removal of pay award provision and inflation contingency in 2010/11 budget	1,710
PCT contribution to free swimming	25
Other uncommitted funds (Chief Executive's initiatives reserve)	190
<b>Total</b>	<b>1,925</b>

It should be noted that on 26<sup>th</sup> July the unions wrote to register a formal dispute regarding the employers not making a pay offer for 2010/11 and they are seeking the matter to be resolved via ACAS. There is therefore a degree of risk that some pay award provision may be required for 2010/11, depending on how the formal dispute is resolved. Should this materialise, it is proposed to substitute funds described in paragraph 7 above.

### 8.2 Legal Implications (Peter Nicholls, Director of Legal Services)

Within the tight timescale imposed, Legal Services staff are working with the Chief Finance Officer and Directors to ensure that contractual and other legal consequences are minimised wherever possible.

Cabinet will also need to consider whether or not to waive call-in rights in accord with Cabinet Procedure Rule 12 (d).

### 8.3 Equality and Climate Change Implications

#### 8.3.1 Equality

The Council is required to assess the impact of any proposed policies on race, sex and disability equality. There are no proposals currently identified which pose a high risk of serious adverse impact. The detailed Equality Impact Assessment for each proposal will be deposited in Member's Services prior to the cabinet meeting.

### 8.3.2 Climate Change

The only proposal contained within this report which has been identified at this stage as having the potential to reduce carbon relates to the Integrated Transport Programme. Some of the schemes contained within this programme would have contributed to reducing city-wide carbon emissions (by improving the flow of traffic and encouraging public transport use through improved routes), these reductions will now not occur which means that other actions will have to be identified if we are to meet our city-wide carbon reduction targets especially given that transport is already showing consistent increases in carbon.

Helen Lansdown, Senior Environmental Consultant - Sustainable Procurement

## 8. **Comments from Stakeholders**

As already outlined in the report the Council has had very limited time in which to consider how to respond to the imposed cuts and it has therefore not been possible to undertake a normal process of consultations with stakeholders. Briefings have been provided on the proposals contained in this report with key parties such as the trade unions. Any comments received will be made available prior to when Cabinet meets.

## 9. **Report Author**

9.1 Julian Allen / Mark Noble  
Chief Finance Officer

<b>Key Decision</b>	Yes
<b>Reason</b>	Is significant in terms of its effect on communities living or working in an area comprising more than one ward
<b>Appeared in Forward Plan</b>	Yes
<b>Executive or Council Decision</b>	Executive (Cabinet)