



CABINET SUPPLEMENTARY AGENDA ITEM

4.00PM, THURSDAY, 17 JUNE 2010

COUNCIL CHAMBER, HOVE TOWN HALL

SUPPLEMENTARY AGENDA ITEM

The following agenda item has not been provided for on the agenda front sheet. The Leader of the Council has agreed to accept this report as a matter of urgency for the reasons set out in the report.

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FINANCIAL MATTERS	
28A. 2010/11 In-year Government Grant reductions	1 - 16
Report of the Director of Finance & Resources (copy attached).	

Subject:	2010/11 In-Year Government Grant reductions	
Date of Meeting:	17 June 2010	
Report of:	Director of Finance & Resources	
Contact Officer: Name:	Mark Ireland	Tel: 29-1240
E-mail: mark.ireland@brighton-hove.gov.uk		
Key Decision:	No	
Wards Affected:	All	

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 some of the key information from Communities and Local Government was not available in time and some preliminary decisions needed from the Cabinet cannot be delayed.

1. SUMMARY AND POLICY CONTEXT:

- 1.1 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 approximately £3.55m for Brighton & Hove City Council covering both revenue and capital grants. Details of the grant reductions are given in the body of this report and appendices. This report also sets out the principles for dealing with the in-year grant reductions for Cabinet to consider.
- 1.2 There will be an Emergency National Budget on 22 June 2010. The budget will set the spending parameters for the Comprehensive Spending Review (CSR) due to be conducted by the coalition government over the summer and early autumn. It is not known at this stage how many years the CSR will cover. Details of how much funding each local authority will receive in 2011/12 and possibly beyond will not be available until late November or early December when the provisional Local Government Finance Settlement is announced. A budget update report will be prepared for Cabinet in July which will set out the budget framework and timetable for 2011/12, incorporating any relevant information from the National Budget. There will also be a report on the July agenda updating on the progress of the value for money programme.
- 1.2 This report also asks Cabinet for a decision on the funding of the primary schools additional places capital programme in order for contracts to be let for the works at 3 primary schools otherwise the additional places will not be ready for September 2011.

2. RECOMMENDATIONS

- 2.1 That Cabinet notes the details of the 2010/11 in-year grants reductions announced by the government and set out in paragraphs 3.1 to 3.4 and appendices 1 and 2.
- 2.2 That Cabinet notes the actions taken to date outlined in paragraphs 3.5 and 3.6 to ensure no further spending commitments are entered into in the grant funded services until a revised funding package has been agreed.
- 2.3 That Cabinet considers and agrees the proposed principles for dealing with the in-year reductions in funding as set out in paragraphs 3.7 to 3.11.
- 2.4 That Cabinet agrees that contracts should be entered into for 3 schemes in the primary school additional places capital programme committing £2m resources from the 2011/12 capital programme for the reasons set out in paragraphs 3.12 to 3.17.

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:
 - The reductions in Area Based Grant (ABG) for each local authority – details of the Brighton & Hove City Council grant reductions are shown in appendix 1.
 - The reductions in other specific revenue and capital grants - the Brighton & Hove City Council estimated reductions are shown in appendix 2.
 - The specific grants where the ring-fence has been removed - a list of all of these grants and the amount due in 2010/11 is shown in appendix 3.
- 3.3 The announcement is not a consultation but authorities have until 5pm on the 24 June to respond to CLG if they believe there are any errors in the figures. The checks undertaken so far have shown no errors of any significance.
- 3.4 The total reduction in 2010/11 revenue and capital grants for the City council is approximately £3.55m or 0.3% of the national total. This reduction is less than the council's average national specific grant share of 0.5%. The figure is approximate at this stage because for some of the grant reductions outside ABG the potential impact upon the council is subject to further clarification.

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 is now being 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.

Proposed principles for dealing with the reductions

- 3.7 The following principles are proposed for dealing with the grant reductions, however, the precise process cannot be determined until the detail of the proposed spending reductions is established. The council's spending against specific grants is to a large extent determined at a national level by the terms and conditions attached to the grants. As a result, when those grants end or reduce the council's starting assumption is that the related spending will also end or reduce since the spend is no longer considered to be a national priority. Such a decision would be consistent with the council's existing budget and policy framework.
- 3.8 Where the council wishes to replace specific grant funding that has ended, for example because there is a good economic case for doing so, then it will first seek to reprioritise other specific grant funding in a related area assuming that the grant terms and conditions allow this. Again such a decision would be consistent with the council's existing budget and policy framework.
- 3.9 Where the council wishes to incorporate activity funded by specific grants which have ceased into mainstream service provision in a related area then this decision could be consistent with the council's existing budget and policy framework providing it is affordable within existing budget allocations.
- 3.10 All of the above decisions could be taken by Cabinet. Only where the council wishes to propose reprioritising specific grant funding from an un-related area, or wishes to propose savings from its mainstream service provision, would this be a decision for full Council. The latter would probably be considered unaffordable given the council's overall budget provision and recently agreed budget priorities.
- 3.11 Decisions on the in-year budget savings package will be made at Cabinet on 22 July. A timetable of the key meetings and announcements is given below.

Date	
10 June	Announcement of details of in-year grant reductions by Secretary of State for Communities & Local Government Briefing note sent to all Councillors
14 June	All Party Budget Review Group discussion on government proposals
17 June	Cabinet receives report on in-year grant reductions and decides on the principles for dealing with the reductions
21 June	Leaders Group to receive an update on the implications for the council
22 June	Emergency National Budget
w/b 28 June	All Party Budget Review Group further discussion on the implications for the council and papers for full Council meeting
15 July	Full Council debates government proposals and the implications for the council
19 July	Leaders Group Circulation of final July Cabinet decision-making report on budget changes needed to match in-year grant reductions reflecting where appropriate the debate at full Council on 15 th July
22 July	Cabinet

Primary School places capital programme funding commitment

- 3.12 Brighton & Hove City Council has a legal requirement to provide sufficient school places for all school age children in the city. School places should be provided in such a way that parents and pupils can access a local school wherever possible. Over recent years there has been a considerable increase in the number of children growing up in the city. Pupil numbers across the city are rising generally and the rise in south central Hove is greater than the city generally and already causing a pressure on school places that cannot be met locally.
- 3.13 The proposals have been progressed to permanently expand Goldstone Primary School and Westdene Primary School by one form of entry each and Queens Park Primary by half a form of entry by September 2011. To support the proposed school expansions it has already been agreed that there will be extensions of each of the school premises to provide additional classrooms to accommodate the extra pupils. There will also be some internal remodelling and refurbishment to each school to provide accommodation that will better fit the needs of current teaching and learning and the delivery of a broad and balanced curriculum.
- 3.14 These extensions are being funded by a combination of the Basic Need Safety Valve Funding, formulaic Basic Need, Primary Capital Programme funding, Schools Access Initiative Funding with a contribution from the schools Devolved Formula Capital. However owing to the scale of the projects they will span two financial years and funding will need to be allocated for these projects from the 2011/12 financial year as well.
- 3.15 This is not an unusual situation and in 2 out of the last 3 years this situation has little or no impact because the council was given a 3 year funding settlement.

However the financial year 2010/11 is the last year of the current spending round and next years allocations will depend on the government spending review currently taking place. Standing orders require that all funding must be in place before a contract can be let which requires resources from 2011/12 to be committed before they are known.

- 3.16 In the 2010/2011 financial year the council was allocated £14.5m under the headings listed in paragraph 3.14 (of which £5,700,000 was as a result of an Exceptional Basic Need Bidding round). The table below shows the grant allocations for 2010/11 plus a forecast for 2011/12 based on known profiles and an assumed 30% reduction in funding under all headings. This is considered a pessimistic forecast but the actual allocations will not be announced until after the forthcoming spending review.

Capital Grants partly used to fund primary school places	Allocation in 2010/11 £ million	Forecast allocation in 2011/12 £ million
New Deal for Schools (NDS) Modernisation	2,305	1,613
Basic Need	668	468
Schools Access Initiative	367	257
Primary Capital Funding	5,453	1,750
Exceptional Basic Need	5,700	0
Total	14,493	4,088

- 3.17 To complete the three projects it will be necessary to allocate £2million from the 2011/12 capital funding. Using the worst case scenario above this represents less than 50% of the total capital funding likely to be allocated for the year. Authority is therefore sought from Cabinet to enter into contracts for these schemes prior to receiving the financial settlements for 2011/12 on the basis there is a very strong likelihood that resources will be available. A decision is required now as the works need to start next month otherwise the new places will not be available in September 2011.

4 CONSULTATION

- 4.1 There has been no consultation undertaken in the preparation of this report due to the lack of time available. The timetable in this report allows for further discussions with members of all political parties and a debate at full Council. In addition meetings with Trades Unions have been scheduled. Statutory consultation processes with staff affected by the funding reductions will be required.

5 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: *Mark Ireland*

Date: 14/06/10

Legal Implications:

- 5.2 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 which is proportionate and consistent with the practical limitation imposed by time constraints. Above all, the council needs to show that it considered all available options and does not simply adopt an automatic/ formulaic approach irrespective of the consequences. It is therefore essential the council is able to demonstrate that it applied its mind to each case. The council should also avoid taking any action that involves a breach of its statutory duty or failure to provide services that are mandatory.
- 5.3 Under the council's budget and policy framework procedure rules, any decision that is inconsistent with the budget or policy framework requires full Council approval. The principles set out in paragraphs 3.7 to 3.11 reflect the legal position and the position under our constitution. It is not possible, at this stage, to say whether any proposal will require full Council approval as that depends on how the council proposes to implement any spending reductions. As and when proposals emerge, they will need to be checked to ensure that they do not involve the cessation of any services where we have a duty to provide and that they are considered properly having regard to all the circumstances.
- 5.4 Under the constitution the question as to whether a proposal is within the budget framework is for the section 151 officer to decide and the question as to whether any policy is within the policy framework is for the Monitoring Officer to decide.

Lawyer Consulted: Abraham Ghebre-Ghiorghis *Date:* 15/06/10

Equalities Implications:

- 5.3 Implications will be considered in the July Cabinet report when the actual reductions will be considered.

Sustainability Implications:

- 5.4 Implications will be considered in the July Cabinet report when the actual reductions will be considered.

Crime & Disorder Implications:

- 5.5 Implications will be considered in the July Cabinet report when the actual reductions will be considered.

Risk & Opportunity Management Implications:

- 5.6 Covered in the body of the report.

Corporate / Citywide Implications:

- 5.7 Covered in the body of the report.

6 EVALUATION OF ANY ALTERNATIVE OPTION(S)

- 6.1 Options on how to reduce spending to match the reductions in government grants will be considered in the July Cabinet report.

7 REASONS FOR REPORT RECOMMENDATIONS

- 7.1 In-year reductions in spending need to be made quickly to match the reduction in government grants as the scale of the reductions increase as the year progresses and there are fewer months left in which to make the savings.
- 7.2 If a decision is not taken to enter into contracts for the primary school extensions now then new places will not be available in September 2011.

SUPPORTING DOCUMENTATION

Appendices:

1. 2010/11 Area Based Grant reductions
2. Reductions in other specific and capital grants
3. Ring-fences removed from revenue and capital grants in 2010/11

Documents in Members' Rooms

None

Background Documents

1. Files held within Strategic Finance section
2. Government announcements on the 24 May and 10 June 2010 details of which can be found on the Treasury and the Department for Communities & Local Government websites.
3. Brighton & Hove City Council Budget report, Feb 2010.

2010/11 Area Based Grant reductions

The figures in the following table may not add exactly due to roundings.

Government Department and name of grant	2010/11 Origin al Grant £'000	2010/11 Revise d Grant £'000	Change in grant allocati on £'000	% Chan ge
Department of Education (Note 1)				
School Development Grant	1,071			
Extended Schools Start-Up Grants	328			
Primary National Strategy – Central	121			
Secondary National Strategy – Central Co-ordination	146			
Secondary National Strategy – Behaviour and Attendance	68			
School Improvement Partners	77			
Education Health Partnerships	56			
School Travel Advisors	26			
Choice Advisors	30			
School Intervention Grant	49			
14-19 Flexible Funding Pot	59			
Sustainable Travel – General Duty	16			
Extended Rights to Free Transport	162			
Connexions	2,168			
Children's Fund	798			
Child Trust Fund	8			
Positive Activities for Young People	249			
Teenage Pregnancy	151			
Children's Social Care Workforce	83			
Youth Taskforce	150			
Care Matters White Paper	281			
Child Death Review Process	35			
Young Peoples Substance Misuse	30			
Designated Teacher Funding	11			
January Guarantee	27			

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Government Department and name of grant	2010/11 Origin al Grant £'000	2010/11 Revise d Grant £'000	Change in grant allocation £'000	% Change
Learning & Skills Council Staff Transfer – Special Purpose Grant	396			
Total Education	6,594	5,014	-1,580	-24.0%
Department for Transport				
Road Safety Grant	396	291	-105	-26.5%
Rural Bus Subsidy	29	29	-	-
Total Transport	424	319	-105	-24.7%
Home Office (Note 4)				
Community Call for Action / Overview Scrutiny Committee	2			
Stronger Safer Communities	312			
Young People Substance Misuse Partnership	71			
Total Home Office	385	355	-30	-7.8%
Department of Communities & Local Government				
Economic Assessment Duty	65	65	-	-
Supporting People Administration (Note 2)	164	0	-164	-100%
Supporting People	11,249	11,249	-	-
Prevent (Note 3)	195	138	-56	-29.1%
Climate Change	23	23	-	-
NI160 STATUS Survey	8	8	-	-
Familiarisation costs of new statutory guidance on social housing allocations	1	1	-	-

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Government Department and name of grant	2010/11 Origin al Grant £'000	2010/11 Revise d Grant £'000	Change in grant allocati on £'000	% Chan ge
Total CLG	11,705	11,485	-220	-1.9%
DEFRA	95	95	-	-
There are no changes to any of the DEFRA grants				
Department of Health	5,325	5,325	-	-
There are no changes to any of the DoH grants				
Total Area Based Grants	24,529	22,593	-1,935	-7.9%

Note 1: Department for Education (DfE)

The DfE have said that local authorities should manage their reductions locally by giving priority to statutory services and functions along with those services which are most important to the local authority and its residents. To achieve this DfE are not proposing to reduce the allocations which local authorities have received in relation to particular spending lines (within ABG) but will reduce the overall amount each authority receives from the Department through ABG. For each local authority this will mean a reduction of 24% in the total allocation for the year – it is for local authorities to manage the reduction across all their funding sources. Percentage reductions have therefore been applied to the overall ABG allocations across all local authorities.

Note 2: Supporting People Admin

The Government has decided to remove the funding stream for Supporting People Administration for 2010/11 which was designed to support local authorities in establishing dedicated Supporting People teams, at the time of the introduction of the Supporting People Programme. Authorities are expected to have delivered efficiencies in this area, and many have begun to combine Supporting People teams with other social service teams. It should be noted that no reductions have been made to the Supporting People Programme funding stream, and these allocations will continue to be made through the Area Based Grant.

Note 3: Prevent (for preventing violent extremism)

The government has said funding for local authorities to deliver Prevent will still be higher than it was in 2008-09 and 2009-10. Each of the 94 authorities in receipt of Prevent area based grant will have their allocations for this year reduced, on a pro rata basis.

Note 4: Home Office

The Home Office contribution to the overall reduction in grants to local government (excluding proposals for police authorities which the Minister of State for Policing and Criminal Justice announced on 27 May) totals £6m. This will be achieved through a £6 million reduction in the total amount of Area Based Grant provided by the Home Office. The £6m reduction has been applied on a pro-rata basis.

Reductions in other specific revenue and capital grants

Government Department and name of grant	2010/11 Original Grant £'000	2010/11 Revised Grant £'000	Change in grant allocation £'000	% Change
Revenue Grants				
Department of Communities & Local Government				
Housing and Planning Delivery Grant (Note 1)	120	c.0	c.-120	-100%
Local Authority Business Growth Incentive Scheme (Note 2)	c.172	0	c.-172	-100%
Local Area Agreement Reward		Although reduced nationally the reduction is not expected to have an impact on the current council budget		
Total Revenue Grants	c.292	c.0	c.-292	-100%
Capital Grants				
Department for Transport				
Integrated Transport Block	1,651	411	-1,240	-75%
Road Safety Capital Grant	88	0	-88	-100%
Total Capital Grants	1,739	411	-1,328	-76%
Total Area Based Grants in appendix 1	24,529	22,593	-1,935	-7.9%
Total Estimated Reduction			-3,555	

Note 1: Housing and Planning Delivery Grant (HPDG)

This has been abolished in the current year. The intention of HPDG was to act as an incentive to local authorities to bring forward housing and prepare the ground for increased delivery. However, there has been a sustained shortfall in housing development resulting in the lowest level of house building in England since 1946. HPDG has proved an ineffective and excessively complex incentive. The Coalition Agreement set out that the Government will provide incentives for

local authorities to deliver sustainable development, including for new homes and businesses.

Note 2: Local Authority Business Growth Incentives

This government says it is committed to promoting business, as the driver of economic growth and innovation. However, the government does not believe that LABGI offers a real incentive to local authorities to promote economic development. The government also believes that many have viewed the scheme as being too complex, unpredictable and potentially unfair. The coalition agreement set out that the government will provide incentives for local authorities to deliver sustainable development, including for new homes and businesses.

Ring-fences removed from revenue grants in 2010-11

Revenue Grants	Department	B&HCC 2010/11 £'000
Youth Opportunity Fund	DfE	141
Think Family Grant	DfE	819
Challenge and Support Funding	DfE	75
AIDS Support	DH	455
Learning Disability Campus Closure Programme	DH	-
Stroke Strategy	DH	93
Bus Challenge and Kickstart	DfT	-
Animal Health and Welfare Enforcement	DEFRA	-
Waste Management Pilots	DEFRA	-

Ring-fences removed from capital grants in 2010-11

Capital Grant	Department	B&HCC allocation 2010/11 £'000
Fair Play Pathfinders	DfE	-
Fair Play Playbuilders	DfE	598
Innovation in Extracare Housing Grant	DH	-
Capital Investment for Transformation in Adult Social Care Grant	DH	150
AIDS/HIV	DH	-
Common Assessment Framework	DH	-
Social Care IT Infrastructure	DH	84
Detrunking	DfT	-
Major Projects	DfT	-
NEXUS (Tyne and Wear Metro)	DfT	-
Green Bus Fund	DfT	-
Flood and Coastal Erosion Risk Management	DEFRA	-
Coastal Change Pathfinders	DEFRA	-
Contaminated Land	DEFRA	-
Housing Market Renewal	CLG	-

