

**TO: THE EXECUTIVE  
19 OCTOBER 2010**

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**Government Grant Reductions and In-Year Budget Savings  
Chief Executive**

**1 PURPOSE OF DECISION**

- 1.1 The report provides details of the impact of the in-year Government grant reductions announced in June 2010 and subsequent amendments to the Revenue and Capital Budget for 2010/11 in light of these reductions.
- 1.2 The report also outlines changes to the 2010-11 Capital Programme required as a result of the latest information on capital funding allocations from Government aside from these in-year reductions.

**2 RECOMMENDATION**

**That the Executive:**

- 2.1 **Agree the savings arising from the in-year revenue grant reductions and recommend to Full Council the virements identified in Annex B.**
- 2.2 **Notes the confirmed reductions in capital grants that amount to £2.332m (paragraph 5.6);**
- 2.3 **Agrees that the 2010-11 Environment, Culture and Communities Capital Programme be reduced by £0.283m across the projects summarised at paragraph 5.6.2;**
- 2.4 **Agrees that the 2010-11 Children, Young People and Learning capital programme be reduced by £2.049m, across the projects summarised at Table 1 (paragraph 5.6.8);**
- 2.5 **Agrees that in the absence of an alternative funding source being identified, any reduction in grant funding applied against the Kennel Lane Special School project in 2010-11 be considered for inclusion in the 2011-12 capital programme (paragraph 5.6.7);**
- 2.6 **Agrees that the 2010-11 capital programme be amended to reflect more up to date information on external funding, as summarised in Table 2 (paragraph 5.6.11) and Annex C;**
- 2.7 **Notes the changes to the detailed Action Plans associated with the in-year savings summarised in para 5.9.**

**3 REASONS FOR RECOMMENDATIONS**

- 3.1 In order to balance the Budget in 2010/11 it is necessary to identify sufficient savings to balance the in-year grant reductions announced by the Government. The material value of the budget savings and associated virements requires Full Council to approve these proposals.

- 3.2 Executive approval is also required to amend the Capital Programme to reflect the latest available information to ensure that budgets are aligned with the level of funds available and latest cost estimates.
- 3.3 In order to give assurances to Kennel Lane Special School regarding the development of the school, the Executive is asked to agree that the level of available funding is maintained at £4m, if necessary through extra resources from the Council in 2011-12.

#### **4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Not to make the in-year savings. This would result in the Council overspending its budget in 2010/11.

#### **5 SUPPORTING INFORMATION**

##### Background

- 5.1 On 17<sup>th</sup> May 2010 HM Treasury announced that the Government would seek to achieve £6.2bn public expenditure savings in the current financial year (2010/11), of which local government would make a contribution of £1.166bn through reductions to individual grants.
- 5.2 The local government grants which are affected include
- Area Based Grant (ABG)
  - Specific Revenue Grants
  - Capital Grants

There is no change to the Formula Grant or Dedicated Schools Grant.

- 5.3 This report deals with the impact of both the revenue and capital grant reductions.
- 5.4 The Government also lifted restrictions on how local government spends its money by the removal of the ring-fence on a number of grants totalling over £1.7bn, which it believes will give Councils greater flexibility to deliver the savings needed. However a significant number of these grants are of a capital nature, or are not received by Bracknell Forest, and as such offer few advantages to the Council.

##### Revenue Grant Reductions

- 5.5 Detailed information on where and how much these cuts in public expenditure would fall on individual authorities was not initially forthcoming. The original announcement on the 17<sup>th</sup> May 2010 was not followed up with a detailed analysis for local authorities until 10<sup>th</sup> June 2010. In this intervening period CMT and Departments undertook preparatory work in identifying the likely area for grant reductions and proposals for managing the cuts.
- 5.5.1 Given that these were to be in-year savings it was important that plans and actions were put in place as quickly as possible in order to maximise the possible savings. Following the announcement on 10<sup>th</sup> June 2010, savings targets were issued to Departments in order to achieve, as a minimum, the amount of grant reductions notified to the Council plus an additional target in order to allow for options to be taken on where to implement the cuts.

- 5.5.2 The revenue grant reductions announced in June are principally reductions to the ABG. From 2008 the ABG became a non-ring-fenced grant replacing previous arrangements under which separate funding streams were paid to local authorities. Local authorities are free to use ABG as they see fit to support the delivery of local, national and regional priorities. The overall reduction in ABG amounts to £785,145.
- 5.5.3 The approach taken was, where possible, to focus savings on the service areas directly related to the grant reductions within the ABG allocation. However it was clear that like-for-like savings, in line with grant reductions, would not always be possible given contractual commitments and partnership arrangements. As such targets over and above the actual grant reductions were set as noted above.
- 5.5.4 In addition to ABG reductions, the Housing and Planning Delivery Grant was abolished. The 2010/11 Budget has assumed grant income of £250,000 in relation to this grant.
- 5.5.5 Taken together the overall reduction in grants included within the General Fund Revenue Budget is £1.035m

| <b>Department</b>                    | <b>Grant Reduction</b> |
|--------------------------------------|------------------------|
| Corporate Services and Chief Exec    | £31,832                |
| Children, Young People and Learning  | £618,176               |
| Adult Social Care and Health         | £2,901                 |
| Environment, Culture and Communities | £382,236               |
| <b>Total</b>                         | <b>£1,035,145</b>      |

- 5.5.6 In addition to these grant reductions, the Government also announced that it would scale back the Local Area Agreement (including LPSA) Reward Grant and abolish the Local Authority Businesses Growth Improvement Grant (LABGI) in 2010/11. Whilst not directly supporting services, both these grants had been accounted for in the management of the Council's reserves and balances. In particular, the LPSA Reward Grant is to be shared between the Council and its strategic partners.
- 5.5.7 There is still uncertainty over the actual reduction in the LPSA Reward Grant, and despite numerous conversations and correspondence with the responsible CLG team, the Council is no clearer on how much reward grant it will receive. The abolition of the LABGI grant will be taken into account as part of the Council's on-going management of its reserves and balances as part of the Budget process.
- 5.5.8 Annex A outlines the actual reductions in ABG and other specific revenue grants as notified by CLG to the Council, and the proposed actions and virements that are to be put in place are attached in Annex B and summarised below.

| <b>Virement</b>                | <b>Amount</b> |
|--------------------------------|---------------|
| Revenue Budget Cuts            | £1,230,512    |
| Contingency                    | £195,367      |
| ABG/ Specific Grant Reductions | £1,035,145    |

- 5.5.9 These actions will result in total savings of £1.231m in 2010/11 to meet the grant reductions of £1.036m. The additional savings of £0.195m are to be transferred to the Contingency Fund. This will provide the Council with some headroom should any

of the proposed savings not be achievable in the time frame required, and contribute towards the savings required in future years budgets.

- 5.5.10 As previously reported to the Employment Committee in July, the actions taken to achieve the necessary budget reductions will result in 7 redundancies. The cost associated with these, approximately £106,000, will be met from the additional savings noted above and funded from the Contingency Fund.
- 5.5.11 The in-year reductions will also indirectly impact on the Council from cuts in funding to its Partners. The Council is aware that as a result of funding reductions to Thames Valley Police Authority, the £25,000 investment in a Police Point at Jennetts Park is at risk. However discussions are taking place that may secure a contribution of approximately £10,000. It is likely that additional reductions will come to light as the Council's partnering organisations come to terms with the full impact of the public expenditure reductions.

#### Capital Grant Reductions

- 5.6 Details on the reductions at individual grant and authority level have gradually emerged and this report sets out the relevant amounts and proposed actions to manage expenditure to the reduced level of funding within the Capital Programme. As at the beginning of September £2.332m of funding has been withdrawn from the Council.
- 5.6.1 The report also recommends other changes to the Capital Programme following receipt of more up-to-date information relating to external funding outside the in-year grant reductions and progress against individual schemes following detailed planning and cost updates.

#### Department for Transport grant reductions

- 5.6.2 The three-year local transport capital settlement (2008/09 – 2010/11) includes an element for integrated transport of which two thirds is paid within the formula grant and one third paid as direct capital grant. The capital element amounts to £0.24m and it is this element that has been withdrawn. In addition to this the Road Safety Grant has also been cut by £0.043m, bringing the total cuts to £0.283m for the Council.
- 5.6.3 It is proposed that these grant reductions can be met by delaying the Maidens Green crossroads traffic scheme and deferring other minor junction safety schemes until funding is available in the future.

#### Department for Education (DfE) grant reductions

- 5.6.4 On 5th July, the DfE announced £1bn of in-year cuts to reduce the reliance on funding existing spending plans through the "End Year Flexibility" that was itself funded from unconfirmed under-spends within the overall Departmental budget.
- 5.6.5 The direct impact on the Council gradually emerged during July and August as the DfE determined how the reductions would be made. During this period numerous communications were received which led to an uncoordinated approach, that resulted in considerable uncertainty for Councils as announcements on different grants were being made at different times, some of which contradicted previous statements.

5.6.6 The list of known capital grant reductions at the current time is summarised below.

- **Targeted Capital Fund - £0.660m (8.25%).** The reduction was applied against an initial allocation of £8m made available in April 2009 and which must be spent on developing facilities for 14-19 Diplomas and Special Educational Needs. The Council previously approved this funding be split £4m to secondary schools to deliver the new 14-19 Diplomas, and £4m to redevelop and refurbish Kennel Lane Special School.
- **Harnessing Technology Grant - £0.143m (50%).** In accordance with the agreement of the Schools Forum, which is a grant condition, this funding is used to develop ICT infrastructure in schools to deliver broadband and internet services, with any remaining balance to be devolved to schools to spend on local priorities.
- **Youth Capital Fund - £0.032m (50%).** Young people determine where this funding should be allocated for small capital projects that develop new facilities and opportunities.
- **Extended Schools Capital - £0.047m (54%).** This grant is used to fund infrastructure improvements to support the development of extended services.
- **Contact Point - £0.040m (59%).** This grant is intended to help local authorities meet their statutory duty on participating in the national database designed to help protect children.
- **Sure Start, Early Years and Childcare Grant- £1.127m.** This grant must be used to develop facilities required to deliver Children's Centres and Early Years provisions. A three-year funding allocation was announced at the start of the current Spending Review in April 2008, and the DfE have determined that any unspent grant allocated for the first two-years of the period would be removed, irrespective of unpaid commitments or scheme progress. This results in £1.127m of funding removed, with the 2010-11 allocation of £0.789m still remaining. The effect of this is that the following schemes will not proceed.
  - Relocation of Family Tree Nursery to Wick Hill
  - Chestnuts (Crowthorne) Children's Centre
  - Willows (Priestwood) Children's Centre
  - Sycamores (Crown Wood) Children's Centre
  - Maples (Westmorland) Mobile Children's Centre

Of the £0.789m remaining funds, £0.229m has been spent in the current financial year on the schemes that have had to be aborted, with the remaining funds committed to the following schemes which will now be completed by 31st March 2011.

- Owlsmoor Pre-School
  - Holly Spring Early Years
  - Great Hollands Foundation Stage
  - Birch Hill Foundation Stage Development
  - Cherrytown Scheme
  - Uplands Outdoor Area
  - Children's Centre ICT System
- **Aiming High for Disabled Children – No reduction.** The initial allocation of £0.171m has to be used for improvement of services and facilities for disabled children and their families, with the main objective of transforming short-break services. The DfE commenced a review on spending proposals on 14th July and confirmed on 6th September that no reduction would be applied.
  - **Playbuilder Grant - £TBC.** A grant of £0.59m was awarded to develop new and existing play areas. There was particular confusion surround this grant reduction,

as initially the grant was un-ringfenced – effectively allowing the Council to spend the grant on whatever local priorities it wished and to facilitate Councils in managing the savings required on other grants. However, it was not made clear at this time that whilst this useful flexibility had been made available, the level of available Playbuilder funding would still be subject to reduction. Therefore, should the Playbuilder funding as expected be reduced to only cover committed Playbuilder costs, there would be no spare funding left to divert to other capital projects rendering the removal of ringfencing no help in managing the reductions.

Impact on redevelopment of Kennel Lane Special School

5.6.7 A reduction in funding for the Kennel Lane Special School, as set out above, will increase the backlog of urgent condition suitability and access work which will continue to be a burden on the school and the Council in future years. The redevelopment project addresses the capacity issues in the school, but the balance of the budget is earmarked for these high priority “fitness for purpose” issues identified in the Asset Management Plan and by the school. Kennel Lane has significant Priority 1 (Urgent) issues with roofs and mechanical & electrical services which need to be addressed. The suitability and access issues at Kennel Lane are also a high priority due to this being a Special School where all of the pupils have special needs which can only be met by investment in the physical environment. Therefore it is recommended that in the absence of an alternative funding source being identified, any reduction in grant funding applied against the Kennel Lane Special School project in 2010-11 be considered to receive Council funding in the 2011-12 Capital Programme. It should be noted that the pupils who are not able to be placed at Kennel Lane School are likely to incur significant out of Borough placement costs.

Proposals for managing the DfE capital grant reductions

5.6.8 A range of measures have been considered on how these reductions can be achieved that minimise the impact on the outcomes. The proposed recommendations are outlined below.

*Table 1: Proposals for managing reductions in DfE capital grants*

| Scheme   | £m    | Action required  |
|--|-------|--|
| Targeted Capital Fund – 14-19 Diplomas         | 0.330 | Saving to be achieved from within unspent grant funds.   |
| Targeted Capital Fund – SEN Kennel Lane School | 0.330 | Maintain works on condition and new build, reduce level of refurbishment.  |
| Harnessing Technology                          | 0.143 | Complete upgrades required for new broadband contract, no funds devolved to schools  |
| Youth Capital Fund                             | 0.032 | Limit funding for projects to those agreed by June 2010  |
| Extended Schools                               | 0.047 | Saving to be achieved from unspent grant funds.  |
| ContactPoint                                   | 0.040 | Saving to be achieved through staffing reductions of 2 FTE (subject to organisational change protocol including referral to Employment Committee). |
| Sure Start, Early                              | 1.127 | Reduce the number of projects.   |

|                           |              |                                |
|---------------------------|--------------|--------------------------------|
| Years and Childcare Grant |              |                                |
| Playbuilder Grant         | TBC          | Awaiting outcome of DfE review |
| <b>Total</b>              | <b>2.049</b> |                                |

### **Budget re-alignments**

5.6.9 In drawing up the original Capital Programme a number of scheme costs were included on an estimated basis, subject to confirmation of external funding, such as developers contributions. In addition certain funding streams have been confirmed by the Government after the setting of the Council's budget.

5.6.10 The following funding streams have now been confirmed and can be used to update the Council's 2010/11 Capital Programme.

**Primary Capital Programme - £8.378m** made available for the duration of the current spending review cycle as part of the national programme to rebuild or refurbish half of all primary schools over a planned 14 year programme. This funding is generally being re-prioritised nationally to fund additional primary school places to meet increased demand from population growth. Details of changes to Primary Capital Strategy for Change can be found in Annex C.

**Modernisation Fund - £0.179m** to upgrade and build new school buildings and facilities in line with priorities in the local asset management plan.

**Youth Capital Fund - £0.065m.** This grant was announced after the Council had set the 2010-11 Capital Programme and is intended to provide funding for young people to develop small capital projects. Note at paragraph 5.6.6 that the initial grant allocation has subsequently been reduced.

**ContactPoint - £0.068m.** This grant was announced after the Council had set the 2010-11 Capital Programme and is intended to help local authorities meet their statutory duty on participating in the national database designed to help protect children. Note at paragraph 5.6.6 that the initial grant allocation has subsequently been reduced.

**School Meals Kitchens - £0.277m** to provide kitchens where these are not in place. This funding was made available through a bidding process that requires match funding which is proposed to be provided from the Primary Capital Programme Grant.

5.6.11 Given the above information and to ensure that approved budgets are correctly aligned to the latest available funds, recommendations are now being made to make the changes as set out below.

*Table 2: Recommended changes to 2010-11 Capital Programme*

| <b>Dept</b> | <b>Scheme</b>                            | <b>Revised Funding<br/>£m</b> | <b>Change<br/>£m</b> | <b>Comment</b>                            |
|-------------|--|-------------------------------|----------------------|---|
| CYPL        | Targeted Capital Fund 14-19 Diplomas (1) | 1.250                         | -1.000               | Corrects error on original budget profile |
| CYPL        | Targeted Capital Fund Kennel Lane        | 3.750                         | 1.000                | Corrects error on original budget profile |

|              |                                     |               |                |  |
|--------------|-------------------------------------|---------------|----------------|--|
| CYPL         | Schools Devolved Formula Capital    | 0.949         | 0.103          | Confirmation of grant funding  |
| CYPL         | DCSF School Meals Kitchen Grant     | 0.277         | 0.101          | Confirmation of grant funding  |
| CYPL         | Children's Centres                  | 0.789         | -0.209         | Confirmation of grant funding  |
| CYPL         | Contact Point                       | 0.068         | 0.068          | Confirmation of grant funding  |
| CYPL         | Youth Capital Fund                  | 0.065         | 0.065          | Confirmation of grant funding  |
| CYPL         | Section 106 Contributions           | 0.288         | 0.288          | Confirmed receipts – Annex C   |
| CYPL         | Primary Capital Strategy for Change | 13.049        | -1.5145        | Confirmed funding and realignment of budget to current schemes and forecast costs. |
| ASCH         | Transformation in Adult Social Care | 0.044         | 0.044          | Confirmation of grant funding  |
| ASCH         | Care Housing                        | 0.020         | 0.020          | Confirmation of grant funding  |
| <b>Total</b> |                                     | <b>20.549</b> | <b>- 1.035</b> |  |

*(1) Approval is also sought to allocate £0.100m to Sandhurst school from the 14-19 diplomas unallocated grant to complete the building works required to offer IT and Hospitality. The unallocated grant would then total £0.333m and remain sufficient to achieve the proposed reductions set out in Table 1.*

#### Service Plan Updates

- 5.7 Due to the extensive budget cuts that the Council has to make during the financial year 2010/11, it has been necessary to update the departmental Service Plans so that they accurately reflect the work that the Council is undertaking and monitoring during this financial year.
- 5.8 The Council has thirteen Medium Term Objectives for 2008-11, which underpin the six over-arching priorities. These remain unaffected. However the Medium Term Objectives are supported by a series of Key Objectives, which were agreed during 2007. These are reviewed each year, the last revision being undertaken in the autumn of 2009. These Key Objectives are, in turn, supported by Detailed Actions which departments prepare each year; the last full listing of Detailed Actions was produced in early 2010.
- 5.9 Due to the budget pressures the Council is facing during this financial year, each department has reviewed these detailed actions and Key Objectives. These changes reflect the budget savings agreed with the portfolio holders. This review has resulted in:-
- 13 Medium Term Objectives – no change
  - 80 Key Objectives – no change – however the degree to which some of these will be pursued has been limited due to budget cuts.
  - Of the original 372 Detailed Actions for 2010/11

- 21 (6%) – have been scaled down due to financial constraints
  - 26 (7%) – have been deleted to reflect budget cuts or changes in Government policy
  - Whilst the review has been undertaken the opportunity has been taken to amend the wording of a further 16 (4%) to reflect the current situation.
- 5.10 These changes will be made in the departmental Service Plans for 2010/11 which will be republished in early November.

#### Conclusion

- 5.11 There has been a significant in-year reduction in both Revenue and Capital funding that falls across a number of important, demand-led and high profile services and schemes. This has led to a wide-ranging action plan resulting in the curtailing of services, redundancies and the cancellation of a number of capital projects. The actions proposed to dealing with these funding cuts will ensure that the Council's revenue budget is balanced and that disruption to services has been minimised.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

#### Borough Solicitor

- 6.1 The relevant legal provisions are contained within the main body of the report

#### Borough Treasurer

- 6.2 The financial implications are set out in the supporting info.

#### Equalities Impact Assessment

- 6.3 The Government undertook its own impact assessment before announcing the in-year budget cuts. The speed with which these grant reductions have been implemented and the need to respond quickly with proposals to reduce spending have set a challenging timescale for the Council. In the vast majority of cases, savings proposals reflect reductions in grant that have been announced at a national level and in developing these proposals, officers have endeavoured, where possible, to avoid changes in services which will impact on the most vulnerable service user groups.

## Strategic Risk Management Issues

- 6.4 Given the nature of these in-year savings and the haste with which the decisions and actions had to be taken there is a risk that the full amount of savings cannot be achieved. This is particular relevant to areas where savings are being sought in conjunction with partners and where contractual arrangements exist. There is also a risk of further in-year reduction, especially regarding capital grants. Officers will continue to monitor the Councils expenditure and report to Members through the existing Budget Monitoring process and as such will monitor the savings outlined in this report to ensure that the Council budget is balanced in 2010/11.

### Other Officers

- 6.5 None

## **7 CONSULTATION**

### Principal Groups Consulted

- 7.1 None – due to the need to implement savings as expeditiously as possible.

### Method of Consultation

- 7.2 None

### Representations Received

- 7.3 None

## Background Papers

### Contact for further information

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### Doc. Ref

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