

REPORT TO: Council

DATE: 1 September 2010

REPORTING OFFICER: Operational Director - Finance

TITLE: Revision to 2010/11 Budget

WARDS: Borough Wide

1.0 PURPOSE OF REPORT

- 1.1 To set out the savings to the 2010/11 Budget as a result of the in-year reductions to Government and other grants.

2.0 RECOMMENDED: That the 2010/11 Budget and Capital Programme be revised as set out in the Report and supporting Appendix .

3.0 SUPPORTING INFORMATION

- 3.1 At the Executive Board meeting on 1 July 2010 it was reported that the Government had cut a number of grants that had been incorporated in the 2010/11 Budget. Since then further cuts to grants have been announced by both the Government and North West Development Agency (NWDA).

- 3.2 The latest position for Halton is

	£000
Area Based Grants	
Department for Education	1,225
Road Safety	90
Supporting People Administration	96
Working Neighbourhoods Fund	601
Cohesion	18
Home Office	17
	2,047
Other Revenue Grants	
Housing and Planning Delivery Grant	245
Local Area Agreement Reward Grant	444
Local Authority Business Growth Initiative	143
Workforce Modernisation and Development Grant	37
Support Staff Training and Qualifications Grant	51
Free Swimming Grant	107
Communities for Health	100
	1,127

	£000
Capital Grants	
Integrated Transport Block	442
Principal Road Network	438
Road Safety	75
Youth Capital Grant	41
Playbuilder Grant	429
	<u>1,425</u>
NWDA Capital Grants	
Venture Fields (The Hive)	1,420
3MG	639
Bayer Site	180
	<u>2,239</u>
Grand Total	<u>6,837</u>

- 3.3 The Council's budget was set, based on these grants being paid in full. Now that they are being reduced it will be necessary to revise and in most cases reduce spending to continue to achieve a balanced budget.
- 3.4 The proposals are set out in the Appendix which shows the financial, staffing and service implications. It is clear that services will have to be reduced or stopped altogether as a result of the cut in grants.
- 3.5 In total there will be a reduction of 47.33 FTE posts associated with these projects. This will mean staff being put at risk, in line with the Council's Staffing Protocol.
- 3.6 Every effort will be made to find alternative employment for these staff. However, it is most unlikely that every member of staff will be placed in this way, resulting in some compulsory redundancies.
- 3.7 The costs of these redundancies are unknown at present. There is no budget provision for these costs and they would need to be found from the contingency budget and will be reported in due course.

Capital Grants

- 3.8 Both the Government and the NWDA have cut capital grants coming to Halton and consequently spending plans have had to be revised downwards.
- 3.9 The Hive project is approaching financial close and the spending plans cannot be reduced without putting the scheme at risk. Following a review of the capital programme sufficient funding has been identified from unspent monies within the Capital Reserve as well as the LPSA Reward Grant allocation to meet the shortfall arising from the removal of NWDA Grant. This can be achieved without compromising any project within the existing capital programme.

2011/12 and Beyond

- 3.10 These cuts need also to be put in the context of wider changes taking place within other agencies, which have an impact on the Borough, many of which are not yet possible to fully quantify.
- 3.11 The emergency budget was announced by the Chancellor on 22 June 2010. He confirmed that the Comprehensive Spending Review will be published on 20 October 2010 and indicated that there will be real term spending reductions of 25% over the next 4 years. He also suggested that some Government Departments would be protected, which means that some Departments would suffer even bigger reductions. The DCLG, which covers local government, was not amongst those Departments that would be protected. This suggests local government would suffer larger cuts; 30% and even 40% have been mentioned by some commentators.
- 3.12 The Council receives £64.0m in Formula Grant, £24.7m in Specific Grants, £81.0m Dedicated Schools Grant (DSG) and £19.9m in Area Based Grants. Excluding DSG, these total £108.6m and therefore for each 1% cut in grant there would be a reduction of £1.1m in Halton's grant.
- 3.13 Clearly, to achieve the magnitude of savings announced in the budget will have major repercussions on the level of services provided by the Council. The Spending Review in October will provide fuller information on the total level of grant to the local government sector but detailed grant figures for Halton will only become apparent when the Provisional Local Government Finance Settlement is announced around the end of November.
- 3.14 On 28 July the Government issued its Formula Grant Distribution Consultation Paper. The Government have asked for comments on changes to formula grant distribution for next year. As yet it is too early to identify the consequences on Halton of these changes. However, to add further uncertainty on top of major cuts in grant is not helpful to financial planning.
- 3.14 The budget report to Council in March identified a "pessimistic" funding gap of £10m. Given the announcements by the new Coalition Government it is clear that assessment was not pessimistic enough and the Council should now assume that the funding gap will be around £15m for next year. Savings beyond next year will be assessed in the Medium Term Financial Strategy.

4.0 POLICY IMPLICATIONS

- 4.1 Appendix 1 presents an assessment of the policy implications associated with the proposed budget savings.

5.0 OTHER IMPLICATIONS

- 5.1 There are no other implications.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 6.1 Appendix 1 outlines the implications for the Council's Priorities arising from the implementation of the proposed budget savings.

7.0 RISK ANALYSIS

- 7.1 If the proposed budget savings were not implemented, the Council may not be able to contain spending in line with the 2010/11 budget and this may impact upon the Council's overall financial standing. The proposed actions outlined in Appendix 1 are intended to mitigate the risks associated with the reductions in Government and other grants.

8.0 EQUALITY AND DIVERSITY ISSUES

- 8.1 The Government have determined that the Area Based Grants are those which are to be reduced in year. These grants have, in the past, been directed at those authorities with the highest levels of deprivation, such as Halton. The impact on clients and the Council's priorities is therefore highlighted in the Appendix.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

- 9.1 There are no background papers under the meaning of the Act.