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Council 10<sup>th</sup> August 2010

**Name of Cabinet Member:**

Cabinet Member (Strategic Finance and Resources) – Councillor Duggins

**Director Approving Submission of the report:**

Director of Finance and Legal Services

**Ward(s) affected:**

All

**Title:**

Response to the Governments £6.2bn in-year cuts

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**Is this a key decision?**

Yes

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**Executive Summary:**

This report details the in-year cuts that have been applied to grants received by the City Council as part of the national coalition government's announcement of £6.2bn of cuts across the public sector in 2010/11. It also contains proposals to reduce spending in some grant related areas in order to achieve the required level of savings.

**Recommendations:**

Council is asked to:

- (1) Approve the in-year cuts in funding totalling £4.51m as detailed in this report.

**List of Appendices included:**

Appendix 1 – Proposed Grant Reductions

**Other useful background papers:**

None

**Has it or will it be considered by Scrutiny?**

No

**Has it, or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

Yes – 10<sup>th</sup> August 2010

**Report title:  
Response to the Government £6.2m in-year cuts**

**1. Context (or background)**

- 1.1 In the wake of the recent General Election, the new national Coalition Government is formulating its response to the UK public sector deficit. The government has concluded that swift and drastic action is needed to reduce a largely structural deficit and it is embarking on a significant and immediate series of spending cuts/tax increases. Initially it announced £6.2bn of in-year cuts, followed on 22<sup>nd</sup> June by an emergency budget with a headline cut of 25% to non-protected government Departments for future years.
- 1.2 The reductions signalled in the emergency budget will be confirmed in the forthcoming Comprehensive Spending Review and will impact on funding levels from the beginning of 2011/12. The £6.2bn cuts are to be applied in the current financial year.
- 1.3 On July 5<sup>th</sup>, the Treasury announced a further £1.5bn of in-year savings. The fine details of these savings are still awaited although we know that some of them will impact on the Department for Education and the Department for Communities and Local Government. On the same day, the Government ended the Building Schools for the Future Programme which will bring the £350m scheme to rebuild and refurbish secondary schools in Coventry to a halt.
- 1.4 This unprecedented action by Government will require a similarly unprecedented response from local government and the City Council. In the wake of the emergency budget, commentators agree that the scale of cuts is way beyond the scope of efficiency savings and will present huge challenges and difficult choices.

**2. Options considered and recommended proposal**

- 2.1 Of the £6.2bn announced on 22<sup>nd</sup> June that is to be saved nationally by cutting spending across the public sector, roughly £1.2bn is to be delivered directly by Local Government. Precise details are still emerging about how these reductions in funding will impact at a local authority level, but the City Council has now been notified of cuts to a number of grant regimes, most notably Area Based Grant (ABG). The specific grant regimes being cut in year are as follows:-

**Table 1 – Grant Reductions 2010/11**

	<u>£m</u>
CLYP related Area Based Grants (ABG)	2.3
Local Enterprise Growth Initiative (ABG)	0.8
Local Authority Business Growth Initiative	0.3
Supporting People Admin (ABG)	0.2
Prevent (ABG)	0.1
<b>TOTAL</b>	<b>3.7</b>

- 2.2 It is important to understand that some of these grant streams were already assumed to be falling out next year and that broadly the Government's announcement involves terminating these grants early. There are some exceptions to this for instance in some areas of the education related grants where many of the grants have existed for a long time and have become considered as funding core services.
- 2.3 Nevertheless, if the Council does not make savings to meet this reduction in grant from broadly within the areas that they fund, the Council will need to make compensating savings elsewhere in the short-term and reduce the affected grant streams in the long-term in any case. This is not felt to be an appropriate response to the problem.
- 2.4 The £3.7m savings need to be made by the Council in the current financial year. At this stage, it is important to take action that plans to save far more than £3.7m in a full year and to identify and make progress on these savings for the following reasons;
- Further announcements are still being made that may impose further cuts upon the Council's grant streams. The proposals in this report will help the Council to manage any such additional cuts.
  - It is inevitable that specific grant funding streams will be severely affected in future years' Government spending settlements. Taking some decisive pre-emptive action now in some of these grant funded areas is essential to help the Council maintain a sound financial footing.
  - Early action taken in this area will maximise the degree of flexibility that the Council will be able to exercise in the future with regard to focussing on its policy priorities (although it is clear that this flexibility will be severely curtailed compared with recent years).
  - With nearly one third of the year already gone we need to set a stretching savings target to maximise the likelihood of saving the full cash effect of £3.7m in 2010/11.
  - In addition to the savings identified, there are likely to be employee severance costs that will need to be funded.

Given the point made above that many of these grant streams will end in any case, the curtailment of some of these schemes now is largely an issue of timing – the Council would have been faced with the ending and/or reduction in scale of these schemes in the very near future anyway. Any further delay in the making of these savings will threaten the Council's ability to achieve the required amount this year.

- 2.5 Appendix 1 to this report outlines the areas recommended to receive a reduced level of funding. These savings proposals are summarised in the table below. For each of the lines in the table there is a brief explanation in the appendix with the potential implications of the reduction.

**Table 2 – Summary of Proposed Spending Reductions**

	<u>£m</u>
CLYP related Area Based Grants	1.39
Connexions	0.25
Local Enterprise Growth Initiative	0.83
Local Authority Business Growth Initiative	0.30
Supporting People	1.00
Prevent	0.08
Local Public Service Board allocation	0.63
Coventry Partnership Funding	0.03
<b>TOTAL</b>	<b>4.51</b>

- 2.6 It is essential to make decisions on our response to these cuts as soon as possible to begin to make the savings and minimise the damage to services and job losses. As further detail emerges, it cannot be ruled out that there might need to be further reductions in spending if other funding streams are cut. We are already aware that cuts in other government departmental budgets, for example transport, will have an adverse impact at a local level.

### **3. Results of consultation undertaken**

- 3.1 Given that these cuts in funding at a national level have been announced part way through the financial year it is important that savings proposals are implemented as quickly as possible. There has, therefore, been little opportunity for a wide ranging consultation on where these cuts should be applied – these proposals restrict spending cuts largely to the areas of funding that have been cut at a national level as part of the overall programme £6.2bn worth of savings.
- 3.2 Officers have aimed to identify areas where funding has not yet been committed so that these savings can be achieved in year. Clearly, in some cases, this will lead to a reduction in the level of services being provided.

### **4. Timetable for implementing this decision**

- 4.1 In order to make levels of savings required in year it is vital that these proposals are implemented as quickly as possible subject to elected member approval. Service directors will be responsible for ensuring that spending is reduced as quickly as possible and that the overall levels of savings detailed in each area is achieved within the financial year. Achievement of these savings will be monitored through existing budgetary control reporting arrangements.

### **5. Comments from Director of Finance and Legal Services**

- 5.1 Financial implications
- 5.1.1 Such significant cuts in grant regimes in-year are highly unusual and reflect the aggressive approach which the new national coalition government intends to take to tackle the deficit in the public finances. It is particularly difficult to manage such reductions in funding locally within the financial year when commitments have, in many cases, already been made to fund services.
- 5.1.2 Nevertheless, it is crucial that the City Council takes action to respond to these cuts in funding as it will not be able to absorb this level of pressure in other areas of the budget in-year or through the use of un-earmarked reserves.
- 5.1.3 In principle, it is intended that reductions will be made in the areas where grants have been cut at a national level and largely these proposals achieve that aim. The savings proposals that have been identified are achievable in-year although it is vital that the Council starts implementing these proposals as quickly as possible.

5.1.4 The detailed financial proposals are contained in the body of this report and in the attached appendix.

5.2 Legal implications

5.2.1 The Council's grant agreements enable changes to be made including a reduction in grant provision. The Council will need to review all affected existing contractual commitments that it has with external suppliers and partners on a case by case basis.

## **6. Other implications**

### **6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?**

6.1.1 In developing these savings proposals, officers have endeavoured to minimise the impact on front line priority services which contribute to the achievement of the City Council's key objectives and corporate priorities. Inevitably, however, there will be some reduction in the scope of services that will be provided in some of the areas where cuts in funding have been applied.

### **6.2 How is risk being managed?**

6.2.1 The City Council will continue to manage key financial risks through maintaining a Medium Term Financial Strategy that takes a medium term view about level of resources and spending requirements across all service areas. The national Spending Review that is due to report in October will help to inform and update the current strategy.

### **6.3 What is the impact on the organisation?**

6.3.1 The impact on staffing levels across the organisation is detailed in the attached appendix. The reduction in posts required will be managed through the normal Security of Employment arrangements.

### **6.4 Equalities / EIA**

6.4.1 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 within which to undertake full Equality Impact Assessments. Officers are in the process of carrying out these assessments and it is intended that they will be completed shortly. 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.

### **6.5 Implications for (or impact on) the environment**

6.5.1 None.

### **6.6 Implications for partner organisations?**

6.6.1 Some services provided under these grant regimes are commissioned from voluntary, private sector and partner organisations. Where these grants are cut this reduces the opportunity for these different organisations to deliver some services. Given the

proposals within the report the Council will need to review all affected existing contractual commitments that it has with partner organisations on a case by case basis.

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## Proposed Grant Reduction

Grant Area	Description	Amount	Posts
<b>CLYP related ABGs</b>			
Primary & Secondary National Strategy (including behaviour & attendance). Total original allocation £0.47m.	This requires a reduction of 2.8 FTE advisory teachers out of 8.2 FTE posts. Vacancies will not be filled for the September to March period to ensure that the savings can be achieved. Work to be reallocated to existing staff within the Education & Learning service to minimise the impact.	£0.1m	2.8 FTE (all of which are currently vacant)
Children's Fund Total original allocation £0.95m	All projects will see a 30% cut in grants this year. Expected impact will be that projects will end at 31/12/10 not 31/03/11, with a corresponding impact on the ability to meet the priorities for children and young people as agreed by CYPSP.	£0.21m	8.6 FTE (not including partners)
Positive Activities for young People (PAYP) Total original allocation £1.01m	Where possible savings to be achieved through programmes either outside of the priority issues/neighbourhoods or where there is less impact on anti-social behaviour/crime reduction than other programmes.	£0.31m	0 FTE (not including partners)
Youth Opportunity Fund Total original allocation £431k	Reduction in funding available for positive activity programmes in which young people can participate, over the course of the year. Funded activities vary each year, so it is therefore difficult to estimate the reduction in the number of programmes/ proposals approved.	£0.16m	0 FTE
Extended Schools Start-up Total original allocation £0.38m	Small central team. Move staffing costs across to Standards Fund grant in 2010/11. Reduce support to Extended Services Clusters for planned programmes in schools and with partners. Expected to end 31/03/11 with staffing reduction implications of 7.6 FTE.	£0.19m	0 FTE
Think Family Total original allocation £0.59 (non-ABG)	Will seek to switch activity to other eligible grant where possible	£0.20m	0 FTE
Excellence in Cities Total original allocation £0.54m	Largely supports the provision of speech and language support in all schools across the City and in partnership with the PCT, and leads training for Learning mentors - school based and beyond. Reduction managed through reducing	£0.07m	0 FTE

	programmes. Always expected to end 31/03/11, with staffing reduction implications of 8.5 FTE (not including partners)		
Multi-disciplinary Teams Total original allocation £0.32m	Will seek to switch activity to other eligible grant where possible	£0.05m	0 FTE
Other Total original allocation £0.35m	A number of smaller cuts to programmes (Young People's substance misuse, and Choice Advisers) will be managed by reviewing non-staffing costs and maximising other income. Education Health Partnerships and 14-19 Flexible funding will be managed by reduction to staffing. Impact on provision will be minimised where possible.	£0.10m	0.9 FTE
<b>Total CLYP related ABGs</b>		<b>£1.39m</b>	<b>12.3 FTE</b>
Reduction to Connexions Total original allocation £3.03m	The Connexions service is also funded by ABG within CLYP and it is proposed to pass on some of the reductions to the Connexions to be met by them through efficiency savings. It is proposed to pass on a saving of £250K which represents less than 10% of their overall funding from ABG. The overall impact of the cuts to the Council's education related ABG is closer to 25%. Will need to negotiate with Connexions on what services/support to young people will be reduced or taken out as part of their SLA.	£0.25m	0 FTE
Local Enterprise Growth Initiative Total original allocation £3.57m	To meet the national funding reduction, we are proposing a level of cuts in our employment and self-employment services that will reduce the overall outcomes for 2010/11. We can commit to delivering this subject to the Enterprising Coventry Partnership Board (ECPB) reviewing the options before approval. They are achievable but challenging. The majority will be delivered through existing vacant posts, but there is a possibility of making internal and external staff redundant.	£0.83m	7.5 FTE (of which 4.5 are currently vacant)
Local Authority Business Growth Initiative Total original allocation £0.3m (non-	The proposed cut of £300K represents a reduction in general income used to balance the budget in 2010/11. Finance Officers will manage the loss of this income by substituting another	£0.3m	0 FTE

ABG)	saving to be identified in 2010/11.		
Supporting People Total original allocation £12.96m	The non ring-fencing of Supporting People reserve can be used to offset the impact of the removal of the Administration team funding and allow some flexibility in meeting other 2010/11 in year pressures. Any ongoing reductions in funding from 2011 over and above working assumptions and natural contract expiry will lead to reductions in capacity to meet the needs of current service recipients and will require re-commissioning of service contracts, some of which are provided by in-house corporate provision. This will put pressure across all social care budgets in future and a careful review of priorities will be needed.	£1.0m	0 FTE
Prevent Total original allocation £0.225m	£225k was allocated to support Coventry's PVE work (Preventing Violent Extremism). This funds a Cohesion Co-ordinator who is seconded from the Police and a variety of activities. Reducing spend to committed items and salary costs only would mean that we could reduce 2010/11 spend by £75k.	£0.08m	0 FTE
Public Service Board allocation Total original allocation £0.50m	The City Council allocated money by top slicing its ABG to the Public Service Board to be spent on City priorities. At this point, £125K remains unallocated from 2009/10 along with the whole £500K for 2010/11. It is proposed that this is used to offset the grant cuts. This has no implications for existing staff or services but obviously represents an opportunity foregone to spend this money to meet priorities.	£0.63m	0 FTE
Coventry Partnership Funding Total original allocation £0.08m	Reduction in the funding approved from ABG to support the Coventry Partnership. £75k has been allocated to support the work of the Partnership Secretariat. As a result of staffing changes and by further restricting spend this could be reduced to £45k.	£0.03m	0 FTE
<b>Total</b>		<b>£4.51m</b>	<b>19.8 FTE</b>