

# REPORT FOR: **CABINET**

---

<b>Date of Meeting:</b>	15 July 2010
<b>Subject:</b>	In Year Funding Cuts 2010/11
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Myfanwy Barrett, Corporate Director of Finance
<b>Portfolio Holder:</b>	Cllr Bill Stephenson, Leader and Portfolio Holder for Finance and Business Transformation
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes
<b>Enclosures:</b>	None

## **Section 1 – Summary and Recommendations**

This report sets out the Council's approach to managing in year funding cuts.

### **Recommendations:**

That Cabinet:

1. Notes the requirement for all Directorates to deliver savings in year to the value of £1.3m to compensate for the balance of the grant cuts.

**Reason:** To ensure that the Council comes in on budget this year and maintains its general balances at an acceptable level.

## Section 2 – Report

### Introductory paragraph

1. The incoming government decided to cut public sector spending by £6.2bn in 2010-11 in order to start tackling the public sector deficit, and it decided that £1.2bn of this reduction should be made in local government.
2. On Thursday 10 June Harrow Council received notification of how the cuts would affect it. The total funding cut for Harrow was itemised as follows:
  - Area based grant cut by £1.3m (of which £1.1m relates to Education)
  - Local Authority Business Growth Incentive (LABGI) funding cut by £350k
  - Housing and Planning Delivery Grant (HPDG) abolished
  - Local Area Agreement (LAA) Reward Grant cut by 50% or £2.3m
  - **TOTAL = funding cut of £3.95m**
3. The total of £3.95m equates to 2% of controllable budget.
4. Whilst the LABGI funding had been announced it was not taken into account in Harrow's 2010-11 budget. Similarly, the Council had not made any assumptions about HPDG in its budget. Clearly this was the right decision.
5. It is assumed that expenditure on LAA projects will be reduced and managed within the remaining grant of £2.3m (of which £1.7m is definite and £0.6m is subject to a further claim submitted on 21 June). This approach has been discussed and agreed by the Harrow Strategic Partnership.
6. The Council now needs to **reduce spending in year by £1.3m** to deal with the area based grant cut.
7. On Friday 18 June the Council received further notification from the Department for Culture, Media and Sport (DCMS) that the grant funding for free swimming for under sixteens will cease on 31 July. The total grant the Council was expecting in 2010-11 was £160k. It is anticipated that the grant will be cut by £110k although the revised grant determination is awaited. The Council is exploring the options to deal with this but it may well mean that free swimming will cease in Harrow in the current year.
8. The DCMS announcement is over and above the £1.2bn allocated to local government, and creates a serious concern that further announcements will trickle through in the coming weeks.
9. Whilst the principle of reducing the public sector deficit is of course supported, and whilst it is recognised that this will be painful for all public service providers and their residents and customers, the government's decision to cut funding in year (which had previously been agreed through the settlement) was unexpected. The move is unwelcome and very difficult to manage.

10. The cuts relate to the financial year 2010-11 which started on 1 April 2010. In other words, the Council is already three months into the year in question, which makes it harder to manage the situation.
11. In year funding cuts are particularly difficult for authorities like Harrow with low levels of reserves and general balances of £6.3m.
12. This means that Harrow does not have the “luxury” of falling back on balances to deal with the in year cuts, and instead has to make decisions that will directly affect service delivery.
13. Moreover, the in year cuts are a taste of what is to come in the next comprehensive spending review and local government settlement for 2011-12 to 2014-15, and an indication of the scale of the funding reductions that Harrow Council will face in the medium term. It is therefore critical that the Council identifies every opportunity to find efficiencies and reduce spending – this being the driving force behind the transformation programme – and takes early decisions wherever possible.

## Options considered

14. Given all the pressure on services, the options to deal with this situation are very limited and there will be very real consequences for service delivery.
15. There is no contingency in the 2010-11 budget.
16. In order to make up the balance of £1.3m, each Directorate will be given a one off target underspend for 2010-11, pro rata to controllable spending, as follows:

Directorate	%	£000
Adults and Housing	35	455
Children’s Services	17	220
Community & Environment	23	300
Place Shaping	3	40
Chief Executive	8	100
Legal & Governance	3	40
Finance	11	145
Total	100	1,300

17. It is recognised that these targets will be very challenging to deliver, given all the other pressures and demands on services. The period 2 monitoring statement shows that Children’s Services and Community and Environment are experiencing significant spending pressures resulting in forecast potential overspends of £933k and £935k respectively. The pressure on Children’s services is in addition to the £1m of additional funding agreed at June Cabinet. In addition Adults and Housing are facing considerable pressure, largely due to the problems being experienced in the Primary Care Trust at present. These major service areas will not only have to contain the situation, but go further and identify ways in which they

can meet the targets above. The reductions being made now will help to manage the achievement of what will inevitably be a very challenging budget setting for 2011-2012.

18. All Directorates are working on detailed plans and there will inevitably be consequences for front line services. The impact of these plans will be carefully assessed and discussed with Councillors.

19. To support this process, the Corporate Management Team (CSB) will be

- Reviewing vacancy management and agency staff management
- Ensuring careful management of spending, particularly in the fourth quarter of the year
- Bringing forward transformation projects and 2011-12 savings wherever possible for members to consider and agree
- Considering opportunities to increase income in year
- Considering diverting capital grants to reduce capital financing costs

20. Further details will be provided as part of the regular quarterly monitoring reports – the next report will come to Cabinet in September.

## **Financial Implications**

21. Financial matters are integral to this report.

## **Performance Issues**

22. The implications for performance are not clear at this stage. As noted above the funding cut will directly affect services and the impact will be assessed by Directorates as they develop their plans both in year and for future years.

## **Environmental Impact**

23. There are no direct environmental implications.

## **Risk Management Implications**

24. The risk of both failing to come in on budget in 2010-11 and failing to closing future funding gaps (both of which feature on the Council's risk registers) has increased in recent months due to the state of public finances and the new government's actions to deal with the situation.

## **Equalities implications**

25. The equalities impact of decisions to deal with in year cuts will be assessed by Directorates as they develop their plans.

## Corporate Priorities

26. The Council's budget supports the delivery of all its corporate priorities and this funding cut will affect all service areas.

### Section 3 - Statutory Officer Clearance

Name: Myfanwy Barrett  Chief Financial Officer

Date: 17 June 2010

Name: George Curran  For Monitoring Officer

Date: 23 June 2010

### Section 4 – Performance Officer Clearance

Name: Alex Dewsnap  Divisional Director  
Partnership,  
Development and  
Performance

Date: 23 June 2010

### Section 5 – Environmental Impact Officer Clearance

Name: John Edwards  Divisional Director  
(Environmental  
Services)

Date: 23 June 2010

## **Section 6 - Contact Details and Background Papers**

Contact: Myfanwy Barrett, Tel: 020 8420 9269

Background Papers: NONE

**Call-In Waived by the  
Chairman of Overview  
and Scrutiny  
Committee**

**NOT APPLICABLE**

*(for completion by Democratic  
Services staff only)*