

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting28th October 2010

1. Title of Item/Report

Comprehensive Spending Review 20 October 2010

2. Record of the Decision

Consideration was given to information announced as part of the Government's Comprehensive Spending Review with reference to its potential impact on this Council.

As with most national budget announcements, not all the detail was available at present and Government departments would be producing business plans in November which would hopefully give more detail on how the proposals from CSR would be implemented in practice. For local government the provisional grant settlement that usually occurs in late November, or early December, would also be a key event.

From the headline information that was presented for local government the actual position was a little uncertain. The initial announcement said there would be reductions of 7.1% a year for 4 years, giving the impression there would be even phasing and a total reduction of 28.4% in real terms. However when the official papers were made available by the Treasury they stated funding to councils would decrease by around 26% over the next 4 years. The Institute for Fiscal Studies then produced a figure of 26.8% and this now seems to be the figure gathering general acceptance. The real terms figure includes an allowance for inflation, although as yet no official figure had been given for this element of the total.

Members were advised that it was important for authorities to understand the cash impact of the changes, as that was the actual sum of money that would be lost. The picture on this was a little clearer although some uncertainty still remained. The papers from the Treasury include a spending profile for Formula Grant spending starting from a baseline position of 2010/11. The baseline position is one of those uncertainties as it did not include an analysis of how it had been calculated. Officers from Stockton have had discussions with officials from the Communities and Local Government Department. Based upon these, officers had a hypothesis as to how the figure had been derived and were currently

trying to get this confirmed. The phasing of the reductions was anything but even, with a considerable front-loading in 2011/12, and a very small reduction in 2013/14. This would seem to suggest that some kind of adjustment had taken place in that year, but there was no detail to substantiate this in the documents available. The figures as they appear for Formula Grant were summarised.

From discussions with officials at CLG it was believed that the transfer of grants, both Specific and Area Based, had occurred and was built into the baseline position. Nationally this figure starts at £3.4 billion in 2010/11 and rises to £4.5 billion in 2014/15 mainly due to an extra £1 billion the Government are putting into Social Care. Our assessment of the baseline would indicate that the full amount had been transferred into Formula Grant in the first year. However as we know the basis for calculating Formula Grant shares does not work on the same basis as the other grant allocations, it means it is likely there will be some distortion in the amount we receive by this method compared to previous allocations. This could have an impact on whether the 21.7% is evenly applied to ourselves. If the increase in grant had not occurred the actual reduction for Formula Grant would have been 29.3%.

The spending review confirmed the Government's commitment to help fund a Council Tax increase freeze for 2011/12. If an Authority does freeze its increase it will receive funds to the equivalent of 2.5% increase. This would be provided in the form of a grant and would be guaranteed at that amount for the next four years. At Stockton we had built in an assumption this funding would be at the 2% level, so this announcement was slightly better than anticipated. From 2012/13 the increases in Council Tax would be guided by a set of principles issued from the Government. If a Council chose to set a budget based upon a higher Council Tax increase, it must conduct a public referendum to allow a vote on the options.

Evaluating the impact of these changes on Stockton's core budget position required a number of assumptions to be made. Firstly, that the national scale of reductions would be evenly distributed. Secondly, that the funding for other grants rolled into Formula Grant come back to the Council in the same proportions. Finally that the unusual reduction in 2013/14 is actually what is going to happen. All of these were unlikely but, in the absence of any other information, were the only educated assessment that could be made. If this was the case then the impact on the General Fund would be a reduction of £27 million over the next four years. This is in comparison to our prediction in June of £24 million. In the Medium Term Financial Plan up to 2012/13 we had built in reductions of £12 million. If the £27 million turns out to be an accurate assessment, we would require an additional £15 million in reductions by 2014/15.

This would be without putting any additional funding into social care for the £1 billion increase that the Government said they would be making by 2014/15. Stockton's intended share of that money was not known at this stage.

Reference was made to the success of this authority's planned and managed approach to identifying efficiencies to date and the effects on our workforce. The reduction of the Specific Grants for Tees Valley Unlimited has meant a budget change from £7 million to £2 million and this has been managed with some tough choices made. The additional reductions of £15 million would undoubtedly also require some tough choices to be made in the future.

With regard to grants that had been moved into Formula Grant, for Stockton, this is currently the equivalent of £7.6 million in Area Based Grant, the largest being Supporting People where we currently receive £3.5 million a year. The grant for Working Neighbourhoods Fund was also ceasing, and £4.4 million of this grant had been received for 2010/11. Stockton currently received a further £7.4 million of Area Based Grant and there was no information on the future proposals of those grants at present. The largest elements in this area were School Development Grant £2.2 million and Connexions £2.1 million. The picture for Specific Grants was even less clear, with £1.7 million being rolled into Formula Grant, mainly for Social Care Reform £0.8 million, and Concessionary Fares £0.6 million. There was however a further £18 million of grants we currently receive where we do not have information on future proposals.

With regard to capital funding the review stated that the amount allocated to local government was anticipated to fall by an average of 45%. This amount would vary from department to department, with the CLG Communities anticipating a fall of 74%. Conversely it would appear that there was a small fall in the Transport budget but this included £30 billion for major schemes, so unfortunately this would have a knock on effect to other transport grants. The review stated an intention to fund the building of 150,000 new affordable homes. It would also allocate £200 million in 2011/12 to allow Councils to capitalise the cost of restructures due to the reductions. Concern was expressed regards the raising of PWLB rates for borrowing to 1% over gilts. This would have an impact on schemes Stockton had already committed to, for example the Forum, and impact on the viability of any future schemes. In addition to these changes, the details of further changes in other departmental spending programmes that would impact on Stockton were noted, as well as indications that:-

- Tees Valley Bus Network was to be funded.

- Street Lighting PFI Scheme has been cancelled.
- Playbuilder scheme capital allocation maintained at £439,000, the revenue element of £13,000 was withdrawn in July.
- A change to the Carbon Reduction Scheme was estimated to cost Stockton in the region of £300,000.

Cabinet noted some definite and some potential funding increases, including an additional £2 billion for Social Care. The Government would provide £1 billion of this and the other £1 billion would come from current NHS budgets to support joint working. There would also be an additional £200 million to accelerate reforms to Personalisation. Potential additional funding was also available from the introduction of the two new schemes, the New Homes Bonus and Tax Incremental Funding.

Members were advised that whilst there remained a lot of questions to be answered about the definite impact of some decisions made in the review, what was certain from the information so far was that the reductions in Formula Grant were front loaded for 2011/12, indicating a 10.7% reduction at the moment. It was therefore essential that in going into the 2011/12 budget Members were provided with as much information as possible as to how we will plan and implement those reductions.

Given the success of the Value for Money programme, the increased ability to undertake EIT reviews and in light of the financial environment, it was therefore proposed that officer led task and finish groups be formed to expedite the delivery of some of the year 3 EIT reviews identified as potentially resulting in the realisation of substantial efficiencies for Stockton. The reviews were concentrated around back office / service reconfiguration issues.

With this in mind the EIT framework had been tested by the Xentrall who had undertaken a pilot review which had proven the adaptability of the framework to an expedited approach. Details of the findings of this review were submitted which recommended that the partnership continues in its current form and continues to deliver the savings set out in the original business case, that it implements the additional savings identified from a restructure of the ICT service, and that additional opportunities to grow Xentrall are considered over the next two years.

It was proposed that a secondary reporting in approach be adopted for task and finish reviews which would require the lead officer to consult with the agreed select committee at the commencement of the review detailing the area/s to be reviewed and the issues and opportunities that exist. The timescale for undertaking these reviews was driven by a need to take final reports in most cases to Cabinet in December, with some

taking slightly longer reporting to Cabinet in March. This work would support the next round of financial planning and the delivery of a positive communications strategy following the comprehensive spending review announcement and provisional settlement details. With this in mind it was proposed that some existing year two reviews were expedited to report in December and project plans had been amended to accommodate. Details of the revised timetable of reviews was submitted.

RESOLVED that:-

1. the content of the Comprehensive Spending Review be noted.
2. the changes to the Efficiency, Improvement and Transformation Programme be noted.
3. the proposed Xentrall Business Case be approved.

3. Reasons for the Decision

To update Members on the outcome of the Comprehensive Spending Review, and a change in approach to the Value For Money Programme.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

None

6. Details of any Dispensations

Not applicable

7. Date and Time by which Call In must be executed

By no later than midnight on Friday 5 November 2010.

Proper Officer
01 February 2010