

COUNCIL – 27 JULY 2010

2010/11 IN – YEAR GRANT REDUCTIONS AND REQUESTS FOR VIREMENTS

Report by the Assistant Chief Executive & Chief Finance Officer

Introduction

1. The Financial Monitoring Report to Cabinet on 20 July 2010 sets out the impact of national in-year reductions in grant allocations for Revenue and Capital on the Council. A separate Service & Resource Planning report, the first for 2011/12, provides an update on the changes to planning assumptions over the medium term.
2. Under the Council's Financial Regulations, Council approval is required for virements larger than £0.5m or where they represent a change in policy. As such, approval is required for the virements underpinning the proposed carry forwards from 2009/10 for Children, Young People & Families and Social & Community Services as set out in Annex 1.
3. Cabinet also agreed that for transparency Council should also approve the changes relating to the reduction in grant funding in 2010/11. This report therefore sets out details of the proposed reductions and implications thereof, and sets out other changes to note. Proposals to manage any further changes notified are included as part of the recommendations.
4. The final section of the report provides an update on schools who have registered an interest in becoming an academy and the impact on the Council.
5. The following Annexes are attached:

Annex 1 (a-b)	Proposed virements relating to carry forwards from 2009/10
Annex 2a	Reductions to Specific Grants and Area Based Grant notified in 2010/11
Annex 2b	Proposed virements relating to reductions in expenditure associated with the changes to Area Based Grant set out in annex 2a
Annex 2c	Revised Local Authority Business Growth Incentive (LABGI) expenditure and income
6. Further information about the impact of the reductions has been placed in the Members' Resource Centre.

Virements relating to Carry Forwards from 2009/10

7. Under the Council's Financial Regulations, the Cabinet is responsible for approving all carry forwards. As set out in the Provisional Outturn Report to Cabinet on 22 June 2010, some of the virements underpinning the carry forwards for Children, Young People & Families and Social & Community Services are larger than £0.5m and require approval by Council under the authority's Financial Regulations.
8. Council are recommended to approve the virements larger than £0.5m as set out in Annex 1a and the associated carry forwards of under and overspends to 2010/11 as set out in Annex 1b.

In – Year Grant Reductions in 2010/11

Background

9. There have been a series of recent announcements impacting on the Council's capital and revenue funding for 2010/11. This report sets out recommendations to make changes to grant income and associated expenditure in 2010/11 for grants where the actual grant reduction has been notified. As each government department determines how they will implement their savings further announcements about the impact on local government and the Council are expected.
10. If necessary, updated recommendations to Council will be circulated following the Cabinet meeting on 20 July 2010.

Announcements in May and June

11. The Government announced details of in – year reductions in Area Based Grants (ABG); Reward Grants; Capital Grants and Specific grants, along with the unringfencing of a number of grants in June 2010. The table below summarises the impact on the Council and is consistent with the previous report to Council on 15 June 2010. Further detail is included in Annex 2a.

	£m
Area Based Grant (ABG)	-3.551
Performance Reward Grant (PRG)	-4.282
Local Authority Business Growth Incentive Grant (LABGI)	-0.329
Capital Grants	-2.720
TOTAL	-10.882

12. In addition, a number of Specific Grants were expected to reduce, although the amounts allocated to Oxfordshire were not clear at the time of the June Council meeting. Some further revenue reductions from the Department for Education (DfE) revenue grants are now known and have also been included in Annex 2a. This shows reductions totalling £0.166m of DfE Specific Grants (Play Pathfinder and Contact Point).

Area Based Grant (ABG)

13. The government announcement targeted a number of grants within the Area Based Grant. These are primarily in Children, Young People & Families. However, as these grants are not ring-fenced they may have been spent on other areas, and the reductions can also be achieved from other areas. The Cabinet has reviewed the current levels of spend. Proposals on which grants will be reduced and the level of those reductions are included at Annex 2b.

Performance Reward Grant (PRG)

14. The Oxfordshire Partnership earned £8.564m of Local Area Agreement (LAA) Performance Reward Grant, which was split 50/50 between revenue and capital. The Public Service Board (PSB) originally agreed to allocate half of this funding to those who delivered the targets and half to a range of projects through a bidding system. Around half the funding was to be paid to external bodies and half to Council services or partnerships held in the Council's accounts.
15. The total grant has now been reduced by half to £4.282m. On 1 July 2010 the Public Service Board made the following revisions to the allocation of the £2.141m to the projects subject to the bidding system. Except where expenditure has already been incurred at a higher level it was agreed that all targets are subject to the 50% reduction in grant from government.

	Original Allocation £m	Reduction		Revised Allocation £m
		%	£m	
Breaking the Cycle of Deprivation	1.000	50	0.500	0.500
Becoming a World Class Economy:				
• Visitor Economy	0.200	50	0.100	0.100
• Business Formation & Growth	0.294	50	0.147	0.147
• Frederick's Foundation Oxfordshire loan fund	0.120	50	0.060	0.060
Grants for voluntary and community groups	0.500	50	0.250	0.250
Building Low Carbon Communities	0.500	50	0.250	0.250
Safer Communities	0.500	50	0.250	0.250
Local Area Agreement Management	0.010	-	0.000	0.010
Partnership development	0.088	-	0.000	0.088
Self-Build Project (youth home build project in Banbury)	0.324	50	0.162	0.162
Understanding the needs of vulnerable communities	0.100	100	0.100	0
Unallocated	0.646		0.322	0.324
TOTAL	4.282	50	2.141	2.141

16. In addition the allocations to those who delivered the targets, within the Council and its partners, have also been reduced pro-rata by 50%. Furthermore, it should be noted that the Local Government Association is currently lobbying central government to lift the restriction requiring 50% of this grant to be spent on capital. As a result of this uncertainty, definitive allocations to Council revenue budgets will be set out in a later report.

Local Authority Business Growth Incentive (LABGI)

17. Council agreed planned expenditure for 2010/11 and the medium term as part of the budget on 9 February 2010. Annex 2c shows the agreed position adjusted for expenditure carried forward from 2009/10. The entire 2010/11 allocation for LABGI has been removed. However, there is sufficient funding to manage the agreed expenditure of £0.618m in 2010/11 and for part of 2011/12 (£0.173m of planned expenditure of £0.248m). It is proposed that any decisions on this area are deferred until further information on the expected reductions in SEEDA funding for the Oxfordshire Economic Partnership are known.

Proposals to meet the reductions in Area Based Grant

18. Annex 2a sets out the ABG and specific grants which have been reduced in 2010/11. These total £3.717m. Annex 2b sets out proposed reductions in Area Based Grant and specific grant funded expenditure totalling £3.310m. This leaves a further £0.407m which is still to be determined. Council are recommended to approve the reductions in grant funding and associated virements set out in Annex 2b. Whilst the intention is that the reductions need to be absorbed in - year, any pressures arising will be reflected in the forecast position for the relevant Directorate in future monitoring reports.
19. The proposed reductions set out in Annex 3b will have an impact on the delivery of the Children and Young People's Plan, which is also used within the Annual Children's Service Assessment and the announced Ofsted inspection.

Capital Grants

20. A total of £2.4m of 2010/11 capital grant funding has been cut by the Department for Transport as part of the announcements in June 2010. £1.9m relates to integrated transport, £0.3m to road safety and £0.2m to de-trunking grant. There is an unallocated sum in the current year transport programme of £0.675m and it is proposed that this is removed to meet some of the reduction. The remaining reduction will be met by deferring the following expenditure to future years:

Scheme	Reduction in Allocation (£m)
Access to Oxford (replaced with 'preparation pool' funding)	0.275
Road Safety: B480 Cowley Rd MPR Supplementary Measures	0.176
Road Safety: Low Cost Measures	0.080
Controlled Parking Zones (Divinity & Magdalen Roads)	0.137
St Ebbes Public Realm Improvements	0.080
Abingdon Town Centre	0.120
Local Initiatives	0.410
Better Ways to School	0.250
Public Transport Real Time Information	0.150
Total	1.678

21. In addition £0.368m grant funding relating to new pitches at Gypsy & Travellers sites was not approved.
22. Further details are becoming available on the reductions to specific grant allocations relating to the programme for CYP&F. These include:
 - Extended Schools - £0.507m originally allocated between Primary Capital Programme & Children Centre's Phase 3 Programme. Notification has now been received that this has been reduced to £0.231m.
 - Specialist Schools – allocation of £25,000 per secondary school on a bid process. Further information is awaited.
23. On 5 July 2010 a further announcement by the Chief Secretary to the Treasury set out reductions of £1bn in Department for Education capital grants which are specific and ringfenced. The cuts will therefore fall directly on the relevant project. Cabinet will consider the views of the Schools Forum who meet on 19 July 2010 and where relevant, for example for Harnessing Technology, an update will be provided following the meeting on 20 July 2010.
24. The impact on Oxfordshire is as follows:
 - Harnessing Technology – 50% reduction in Oxfordshire's allocation of £2.5m. £1.3m of the original £2.5m was allocated to schools on a formula basis and £1.2m retained centrally.
 - Co – Location – Oxfordshire's allocation is £4.178m. National guidance is that projects will be cancelled where progress has not been satisfactory or are not good value for money. The contract for Banbury New Futures (£3m) has been let. Tenders for Chipping Norton and Bampton projects are due by September/October 2010. It is not yet known whether they will be affected.
 - 14 – 19 Diploma Provision – Allocations have been reduced for authorities not included in early BSF waves. £6m funding in 2010/11 (part of £8m total allocation) will therefore reduce by approximately £0.660m. This will require a reassessment of the current programme.
 - Sure Start – Sure Start, Early Years and Childcare Grant (SSEYCG) will be managed down by identifying savings and projected underspends with Local Authorities. The expectation is that it will be possible to manage down the expenditure without the need to cut allocations beyond those identified savings and underspends. Work is ongoing to assess the level of contingency built into individual projects and to identify projects which have not yet entered contract let. Further details on the impact will become clearer following advice from the grant advisers.
 - The Youth Capital Fund has been reduced by 50% and quarter 3 & 4 payments will not be made. The Council's original allocation for 2010/11 was £0.299m. This has been reduced to £0.150m. Including a carry

forward from 2009/10 £0.152m is available. Allocations have already been made totalling £0.154m. No further bids will be accepted.

Academies & Free Schools

25. On 26 May, the Coalition Government launched its proposals for creating new academies and free schools. The Secretary of State for Education wrote to all schools rated as outstanding by Ofsted inviting them to become a fast track academy from September 2010. Other schools were also asked to register their interest in becoming an academy.
26. Nine secondary and five primary schools in Oxfordshire have registered an interest. Of these, two primary and four secondary schools are rated as outstanding by Ofsted inspection. There are currently 27 outstanding primary and secondary schools in Oxfordshire.
27. The schools expressing interest currently receive delegated funding for support services purchased through service level agreements with the local authority. Although academies can continue to buy support services, the effect of the potential loss of this income could be significant. As a result of topslicing arrangements there may also be an associated reduction in central budgets, including behaviour, termination of employment, free school meal eligibility.
28. Schools converting to academy status would retain any surplus balances. There is a risk that this may impact on the viability of the School Deficit and Loan Scheme, which is funded from school balances.

Financial Implications

29. The full financial implications on the local authority, maintained schools and other organisations of these in year reductions and announcements, including the creation of free schools, are not yet quite clear. Further guidance is awaited.

RECOMMENDATIONS

30. **Subject to the decisions of Cabinet on 20 July 2010, Council is RECOMMENDED to:**
 - (a) note the report;
 - (b) approve the virements larger than £0.5m and the associated carry forwards from 2009/10 for Children, Young People & Families and Social & Community Services;
 - (c) approve the reductions in revenue grant funded expenditure and related virements as set out in Annex 2b;
 - (d) approve the deferral of capital expenditure originally programmed for 2010/11 as set out in paragraph 19;

- (e) **note the reduction in capital grant funding and associated reductions in expenditure as set out in paragraph 23;**
- (f) **agree that any further changes to specific capital grant funding in 2010/11 should be made in accordance with the notification; and**
- (g) **agree that any further urgent changes associated with reductions in specific grants that are not ringfenced should be delegated to the Chief Executive and Chief Finance Officer after consultation with the Leader of the Council and Cabinet Member for Finance & Property.**

SUE SCANE

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Background papers: Financial Monitoring Report to Cabinet on 20 July 2010
 Provisional Outturn Report to Cabinet on 22 June 2010

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