



SCRUTINY COMMISSION - 28 JANUARY 2015

MEDIUM TERM FINANCIAL STRATEGY 2015/16 – 2018/19
CHIEF EXECUTIVE'S DEPARTMENT

JOINT REPORT OF THE CHIEF EXECUTIVE AND THE DIRECTOR OF CORPORATE RESOURCES

Purpose of Report

1. The purpose of this report is to:
 - a) provide information on the proposed 2015/16 to 2018/19 Medium Term Financial Strategy (MTFS) as it relates to the Chief Executive's Department; and
 - b) ask the Commission to consider any issues as part of the consultation process and any response it may wish to make.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2014. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2015/16 – 2018/19 was considered by the Cabinet at its meeting on 11 December 2014.

Background

3. Reports such as this have been presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process before recommending a MTFS including a budget and capital programme for 2015/16 to the meeting of the County Council on the 18 February 2015.

Financial Strategy

4. The MTFS is set out in the report to the meeting of the Cabinet on 11 December, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Chief Executive's Department.

Service Transformation

5. As outlined in the report to the meeting of the Cabinet on 11 December the County Council needs to address significant financial challenges, adapt in response to the health and social care integration agenda whilst delivering outcomes for Leicestershire people. A range of strategies have been produced to create the vision and direction for the organisation, including the Council's Strategic Plan, Transformation Programme, Communities Strategy and Commissioning and Procurement Strategy, with the key

organisational priorities being delivered with support from the newly created Transformation Unit.

6. The functions delivered by the Chief Executive's Department play critical roles in supporting transformation and are being reviewed in the context provided by the strategies and priorities referred to in this paragraph. The Department takes the corporate lead on delivering the Communities Strategy, including support for service devolution, community engagement and community capacity building, and in providing business intelligence to support effective commissioning and service delivery. In terms of business intelligence a new target operating model is being implemented as part of the transformation programme. The principles adopted in those Plans and Strategies will be applied in carrying out further service reviews.
7. The savings approach previously taken responded to the preferences expressed in the major public consultation exercise undertaken in 2013, in particular reduced funding for grants to individuals and communities, and funding for business and agencies, all of which featured in the residents' top ten areas to reduce. Further reductions in line with these views are now proposed, particularly in relation to funding for business and agencies. Residents' preference was for a lower level of reduction in relation to Trading Standards hence new savings are focused upon creating a shared service with other County Councils to mitigate service cuts.

Proposed Revenue Budget

8. The table below summarises the proposed 2015/16 revenue budget and provisional budgets for the next three years. The proposed 2015/16 revenue budget is shown in detail in Appendix A.

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Updated original budget	12,884	9,873	9,053	8,858
Other changes	0			
Budget Transfers and Adjustments	-1,501			
Sub Total	11,383	9,873	9,053	8,858
Add proposed growth (Appendix B)	100			100
Less proposed savings (Appendix B)	-1,610	-820	-195	-975
Proposed/Provisional budget (Appendix A)	9,873	9,053	8,858	7,983

9. Detailed budgets for 2015/16 have been compiled on the basis of no pay or price inflation, a central contingency will be held which will be allocated to services as necessary. The central contingency also includes provision for an increase in the employer's contribution to the Local Government Pension Scheme in 2015/16 and the following three years based upon the triennial actuarial revaluation of the pension fund.
10. The proposed net budget for 2015/16 totals £9.9m is set out below:

	£000
Employees	9,154
Running Costs	4,490
Gross Costs	13,644
Income	-3,771
Net Budget	9,873

Other Changes and Transfers

11. The only significant budget transfer that was effected through the 2014/5 financial year was a transfer out of the Department (-£1.5m) for the Supporting Leicestershire Families Service, the Youth Offending Service, and the Community Safety Team. These services were transferred to the Children and Families Department.
12. Growth and Savings have been categorised in the appendices under the following classification;
 - * item unchanged from previous MTFS
 - ** item included in the previous MTFS, but amendments have been made
 - No stars - new item
13. This star rating is included in the descriptions set out for growth and savings below.

Growth

14. Details of proposed growth are set out in Appendix B and total £0.1m for 2015/16 and £0.2m over the next four years in total. These are detailed in the following paragraphs.
15. G17 Increase in cost of Coroners Service; £100,000 in 2015/16
Growth is required principally due to the implications of the Coroners Act (2013). The number of deaths reported to the coroner has increased significantly, which has resulted in additional inquests including non-standard post mortems that require specialist pathology input. This is required to be achieved within new tighter timescales that have been prescribed by the Chief Coroner.

Further pressure on the service is expected from the new requirement for an inquest with jury for anyone subject to a Deprivation of Liberty order.

16. G18 Signposting and Community Support Service; £100,000 in 2018/19
Currently Local Welfare Provision supports some of the most vulnerable residents in Leicestershire. From 2015/16 the funding received from the Government for Local Welfare Provision will be discontinued, hence this growth funding will help to fund the replacement Signposting & Community Services, as outlined in the October 2014 Cabinet report. The replacement services will ensure that despite the removal of direct awards this group of residents will still be supported to access assistance. From 2015/16 to 2018/19 the service will be funded using underspend from the last two years.

Savings

17. Details of proposed savings are set out in Appendix B and total £3.6m. These are detailed in the following paragraphs.

Transformation Savings

18. ** T13 Development of Coronial Service; £5,000 reduction in 2015/16 rising to £140,000 in 2018/19
The Coroners service contribution to savings (£140,000) is expected to be from the development of shared facilities and/or practices with Leicester City Council.

Exploratory work has commenced on the project, but due to the legal constraints and the number of partners involved it is expected to take a significant period of time for fully developed proposals to be made.

19. ** T19 Funding and support to agencies; £230,000 reduction in 2015/16 rising to £400,000 by 2018/19.

Following a review and public consultation of the funding and support provided to agencies that provide help to individuals and voluntary agencies in Leicestershire from the Department, savings proposals were approved for implementation at the Cabinet meeting in September 2014. The total saving secured was £596,000, with £210,000 delivered in 2014/15.

To allow a smooth implementation £150,000 of the savings were delayed from 2015/16, compared to the previous MTFS, by one year.

The total savings have been increased (£20,000) following the increased MTFS requirement. This will be found by stopping funding for Leicestershire

Together(LT)/partnership working and reducing the amount of funding available for Equalities, Diversity and Human Rights. The LT structure has now been abolished.

Departmental Savings

20. * D61 Review of Management Structure; £70,000 in 2017/18.

A review of management structures across the Department is on-going.

21. ** D62 Democratic Services, Administration and Civic support review; £110,000 in 2015/16 rising to £260,000 by 2018/19.

The largest contributor to savings is from staffing and related budgets (£110,000), enabled by a restructure of the function. Reductions have also been applied to the members' expenses budgets (£30,000) and pension contributions (£70,000) to reflect the latest level of expenditure. The final element of savings (£50,000) is for a reduction in the level of civic hospitality and support.

22. ** D63 Legal Services review; £70,000 in 2015/16 rising to £190,000 by 2018/19.

Staff related savings will make up the majority of the saving (£170,000). This is enabled by a combination of a restructure and absorption of funded work that has transferred into the service. Additional income (£20,000) is expected to be secured from schools and academies, as well as work on agreements associated with new development.

23. ** D64 Development of Registration services; £135,000 in 2015/16 rising to £205,000 in 2016/17.

The Registration service's contribution (£205,000) is mainly attributable to additional income, through further development of complementary customer services, price increase and development of Anstey Frith House. Cost reductions also contribute to the target, from staff savings and increased shared working with Leicester City Council.

24. ** D65 Review of Strategy, Partnerships & Communities section; £130,000 in 2015/16, rising to £390,000 in 2016/17.

The savings for the section relate to staff and the associated expenditure budgets. Reviews will commence in the next financial year to identify where efficiency savings can be made. The implementation of a new target operating model for business intelligence will contribute to these savings.

25. ** D66 Funding for businesses and housing; £555,000 reduction in 2015/16.
The cessation of using some of New Homes Bonus Grant to assist local housing schemes accounts for the majority of this saving (£500,000). The remainder of the saving will be found from a reduction in the contributions for supporting tourism, social enterprises and rural housing and economic initiatives.
26. ** D67 Reduced staffing for a range of partnership and community support activity; £130,000 reduction in 2015/16 rising to £390,000 in 2016/17.
Reviews in the Strategy, Partnerships and Communities section will be undertaken to cover this saving (£390,000) and D65 above. The two reviews will cover all parts of the section including staff's work that does not have an external expenditure element and work undertaken related to the proposed savings in T19, D66 and E62 plus the grants to individuals and community groups that have already been reduced.
27. ** D68 Review Planning, Historic and Natural Environmental Services; £55,000 reduction in 2015/16 rising to £155,000 by 2018/19.
The savings will relate to a combination of staff and associated expenditure budgets and increased income. Reviews will be undertaken to identify how best the savings can be made including the risk associated with increasing income in the context of the state of the local economy.
28. ** D69 Registration opening hours and "tell us once" service; £20,000 reduction in 2016/17, rising to £60,000 in 2017/18.
The first part of the proposal is to make "tell us once" a telephone only service, by removing the face to face option provided via the Registration service (£20,000). It is also proposed to implement a reduction in opening hours in 2017/18 (£40,000).
29. ** D70 Trading Standards reduced enforcement, inspection and testing activity; £100,000 reduction in 2015/16 rising to £165,000 in 2016/17.
The savings proposal recognises the need to maintain services to business and investigation of rogue traders, however there will be a reduction in business inspections, rogue trader enforcement, testing and analysis. The savings in 2016/17 will be found through reductions in management and other operational costs.
30. ** D71 Cessation of International Links support to schools; £50,000 reduction in 2015/16.
The proposal to stop the International Links activity that is currently provided free of charge to schools has been brought forward in the MTFS to reflect the achievement of the saving.
31. ** D72 Adjustment; £40,000 reduction in 2015/16 eliminated by 2018/19.
There have been several small changes in the timing of savings since the December 2014 Cabinet report. To allow the published savings to remain consistent with the delivery plans an adjustment line has been included in savings table.

Emerging Savings

32. E61 Trading Standards Shared Services; £200,000 in 2018/19
Proposal for joint working between Leicestershire, Lincolnshire and Northamptonshire County Councils are being investigated, with the aim of delivering efficiency savings through creation of a shared service for Trading Standards. Discussions have

commenced between the three authorities at officer level, with the undertaking of a feasibility assessment the next step.

33. E62 Reduction in the value of Participatory /Community Grants awarded; £70,000 in 2018/19

This reduction is in addition to the savings made in 2014/15, resulting in a further (£70,000) reduction in monies for organisations/community groups to apply for grants to support community-based projects. The remaining Shire Grants fund will be £350,000, including the capital expenditure budget.

34. E63 Stop providing funding for economic development activity to external agencies; £300,000 in 2018/19

This proposal is for the cessation of three funding arrangements relating to economic development. This covers support for rural housing/economic initiatives (£70,000), tourism support services (£175,000) and the grant to the Leicester & Leicestershire Economic Partnership (LLEP) (£55,000).

With increasing amounts of funding being channelled through Local Enterprise Partnerships (including funding previously provided to local authorities) it is considered no longer necessary for the LLEP to receive local authority grants. The LLEP will also be able to consider the priority to be given to funding tourism support services in the context of other economic priorities, and measures to increase private sector funding of tourism support services can also be explored. The removal of the budget to support rural economic initiatives will mean that the Leicestershire Rural Partnership will be reliant on securing external funding.

Other Funding

35. In 2014/15 the County Council received a Local Welfare Provision Grant (£1.1m) to allow local arrangements to be put in place following the abolition of the Department for Work and Pension's discretionary Social Fund. The Government had indicated its intention to cease funding for the scheme beyond 2014/15, although a judicial review and subsequent consultation on this decision delayed confirmation until the Local Government Settlement was received. The Government funding settlement for the County Council includes a notional £0.8m relating to the Local Welfare Provision. However this is just a re-labelling of existing funding which was previously received through the main Revenue Support Grant allocation. Therefore the financial position, for the County Council, that initiated the current consultation to determine a successor scheme, remains the same. The County Council will develop a successor scheme by deploying the scheme's underspend from the last two years.
36. The Police and Crime Panel Grant (£0.1m) provides funding towards the administration and member expenses for the panel locally. The level of funding for 2015/16, from the Home Office, is still to be confirmed.
37. The Local Reform and Community Voices Grant (£0.3m) is providing funding towards the local HealthWatch and Independent Complaints Advocacy services. Local HealthWatch is the consumer champion for patients and the public in health and social care. The Independent Complaints Advocacy Service provides complaints advocacy support to people who wish to make a complaint about the service that they have received from the NHS.

38. The table shows the specific grants expected to be received in 2015/16.

	2015/16 £000
Police and Crime Panel Grant (Home Office)	*53
Local Reform and Community Voices Grant (Department of Health)	276
TOTAL	329

* amount to be confirmed by the awarding organisation

Capital Programme

39. The draft Capital Programme is summarised in the following table and the detailed programme is set out in Appendix C. The programme is funded from a combination of County Council resources and specific grants from external organisations.

Project	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	Total £000
Rural Broadband Scheme - Phase 1	5,185	545	0	0	5,730
Rural Broadband Scheme - Phase 2	0	5,700	1,700	0	7,400
Loughborough Science Park Development	1,275	0	0	0	1,275
Rural Economic Grants	50	100	100	100	350
Shire Community Solutions Grants	150	100	100	100	450
Total	6,660	6,445	1,900	200	15,205

40. The Rural Broadband scheme – Phase 1 (also known as the Superfast Leicestershire Programme) will roll out superfast broadband to homes and businesses in the County so that access to high-speed fibre broadband will increase from 75% to 96% of Leicestershire premises by the end of March 2016. The scheme, delivered through a contract with BT, is on schedule after one year of implementation. Public sector investment to fund the remainder of the scheme, alongside BT's investment, is funded from a variety of sources, namely: European Regional Development Fund (£0.2m), Department for Culture, Media and Sport (DCMS) (£0.4m), the City Council and district councils (£1.2m) and the County Council (£3.9m).

41. The Rural Broadband scheme – Phase 2 (also known as the Superfast Extension Programme) will deploy additional funding to extend further the provision of superfast broadband. The DCMS has made an initial £3.7m allocation that is being matched locally with a combination of County Council (£1.7m) and LLEP funding (£2.0m). Additional district council and DCMS funding totalling up to £3.0m could further increase coverage if secured. Procurement has been initiated and a supplier is expected to be contracted in late March 2015. £0.5m of the secured public investment has been withheld to explore community-led deployment solutions.

42. The Loughborough University Science and Enterprise Park contribution, alongside contributions from other public sector partners, will assist towards the University's planned expansion of the existing Park. The initial grant (£0.5m) from the County Council will support the advance provision of infrastructure to the Park and a purpose built innovation centre. Half of the initial grant has been paid, with the remainder (£0.2m) due on completion of the works. The remainder of the funding provided by this scheme (£1.1m) is expected to be invested in the future expansion of the site.

43. The Rural Economic Grants aim to help grow Leicestershire's rural economy. Priority focus for the programme has been small businesses who would struggle to reach the thresholds required for national and other sub-regional economic funding. The grants are made at a level that complement (higher level) LLEP and European grants programmes and are match funded by the business owner. The County Council's initial three year commitment to the programme has been extended by using the earmarked fund for economic development.
44. The Shire & Better Places Grants will supplement the revenue Shire Grants programme. This programme focusses on key County Council priorities and the role of communities in delivering these. The scheme will provide small grants of up to £10,000 to communities and voluntary sector organisations across Leicestershire. All projects support delivery of one or more of the priorities in the Communities Strategy and are assessed by a multi-agency expert panel. The value of the projects supported will be higher than the capital amounts in the table above, as this is only the County Council match funding element.

Recommendation

45. The Commission are asked to consider the report and any response it may wish to make.

Background Papers

Cabinet 11 December 2014 - Medium Term Financial Strategy 2015/16 to 2018/19

Circulation under Local Issues Alert Procedure

None.

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List of Appendices

Appendix A – Revenue Budget 2015/16

Appendix B – Savings 2015/16 – 2018/19

Appendix C – Capital Programme 2015/16 – 2018/19

Equality and Human Rights Implications

46. Public authorities are required by law to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between people who share protected characteristics and those who do not; and
- Foster good relations between people who share protected characteristics and those who do not.

47. Many aspects of the County Council's MTFS may impact upon service users who have a protected characteristic under equalities legislation. An assessment of the impact of the proposals on the protected groups must be undertaken at a formative stage prior to any final decisions being made. Assessments are being undertaken in light of the potential impact of proposals and the timing of the proposed changes. Those assessments will be revised as the proposals are developed.

48. Proposals in relation to savings arising out of a reduction in posts will be subject to the County Council Organisational Change policy which requires an Equality Impact Assessment to be undertaken as part of the Action Plan.

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