Leicestershire County Council

SCRUTINY COMMISSION - 4 MARCH 2015

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

2014/15 MEDIUM TERM FINANCIAL STRATEGY MONITORING (PERIOD 10)

Purpose of Report

1. To provide members with an update on the 2014/15 revenue budget and capital programme monitoring position.

Policy Framework and Previous Decisions

2. The 2014/15 revenue budget and the capital programme for 2014/15 to 2017/18 were approved by the County Council at its budget meeting on 19 February 2014 as part of the Medium Term Financial Strategy (MTFS). The MTFS is monitored throughout the financial year.

Background

3. The latest revenue budget monitoring exercise shows a net projected underspend of £13.6m, as summarised in Appendix 1. Details of major variances are set out below.

4. The latest capital programme monitoring exercise shows an underspend of £9.9m compared with the updated budget.

5. Paragraph 37 below sets out a proposal to use the projected underspend to provide funding for the street lighting LED capital project in the 2015 Medium Term Financial Strategy (MTFS), to fund potential carry forward requests and contributions to the Transformation earmarked fund and to continue the strategy to reduce debt to achieve ongoing revenue savings.

6. The monitoring information contained within this report is based on the pattern of revenue and capital expenditure and income for the first ten months of this financial year.

REVENUE BUDGET

7. The results of the latest revenue budget monitoring exercise are summarised in Appendix 1.

Children and Family Services (C&FS)

Dedicated Schools Grant

8. A net underspend of around £2.1m is currently forecast mainly relating to contingency funding for post 16 Special Educational Needs not being required in 2014/15 and lower demand than expected on Early Learning and Childcare. This net underspend will not impact on the General County Fund as under the terms and conditions of Dedicated Schools Grant any underspend must be allocated to the following year's Schools Budget.

Other Children and Family Services

9. A net overall underspend of £2.58m (4.2%) is forecast for the department.

10. The position includes a forecast overspend on the Placement Budget of £3.4m. This budget pressure refers to those children placed in placements commissioned from the independent sector, principally independent fostering agencies as in-house, and less expensive, provision is currently saturated. This position is similar to the pattern of projections last year and was mitigated by the budget controls that were put in place. This approach is being taken again this year and is being further strengthened by the measures set out below.

11. The Department continues to implement short and medium term actions to offset the overspend on the Placement budget, including:

    - Management tracking of each child's case to ensure these are progressed in a timely manner;
    - Strengthening the accountability of budget holders;
    - Focused work on a cohort of 22 children's cases that represent an opportunity to reduce their placement costs whilst continuing to provide care that is effective for that child;
    - Focused work on groups of current providers of independent fostering services that are providing placements for groups of children to drive out savings;
    - Recruit additional in house foster carers and consider the use of an external agency to assist, possibly on a payment by results basis;
    - Participation in regional commissioning of placements to drive down costs potentially through the use of a framework contract.
    - Generating underspends in other budgets; the 2015/16 MTFS has realigned budgets accordingly and additionally it provides growth in the Independent Fostering Agencies budget.

12. In the medium term, following the approval of a new strategic approach by the Cabinet in December 2013, the department is implementing a new Fostering and Adoption recruitment plan with a view to achieving an increased diverse 'bank' of foster carers, and implementation of the placement commissioning strategy ('Choices'), which will establish a deliberate approach to commissioning services for children in the care of the Council that will be more cost effective.

13. The 2014/15 departmental budget includes funding of £3.2m to offset the reduction in Early Intervention Grant and the expansion of the offer of free education for disadvantaged two year olds. The 2013/14 MTFS assumed that the expansion of the two year old offer would be unfunded and made provision accordingly, however additional funding was subsequently received in the 2014/15 Dedicated Schools Grant. At this stage an underspend of £2.1m is reported against this funding.

14. Underspends are also forecast on several other budgets:

- Specialist Assessment and Response budget (£1.1m), due to management decisions to freeze a number of posts and an early start on transition to the new target operating model for the service;
- Disabled Children Service (£0.75m), due to savings required in 2015/16 being delivered early;
- Premature retirement costs (£0.65m), due to a reduction in requests from schools for financial support for redundancies;
- Targeted Early Help (£0.56m), due to staff vacancies and underspends on a number of commissioning projects.

Adults and Communities

15. Growth of £7.3m was included in the 2014/15 budget to mitigate forecast demographic growth pressures and also efficiency shortfall issues materialising in 2013/14. Pressures are continuing into 2014/15 and a net overspend of £2m (1.5%) is currently forecast, albeit with some risks. This position is after uplifting demand budgets by £3m to reflect inflationary pricing pressures.

16. The key forecast overspends are noted below.

- Residential and nursing care, net overspend of £1.5m, due to income levels from service users being less than expected, a data cleansing exercise and a detailed review of all debts.

- Independent Sector Home Care and Direct Payments, overspend £0.6m. Increased levels of demand for home care support commissioned from the independent sector. This has come about as service users are presenting with increased levels of need. In addition to this there are pricing pressures driven by sector wide issues of capacity shortage and increasing wage costs being experienced by providers.

- Service User Fairer Charging Income (non residential), overspend £0.6m. There is an expected shortfall in income from charging for services. This is partly due to service user's assessed financial charges and their ability to contribute to the cost of their care. Issues relating to the implementation of the Integrated Adults System (IAS), the new care management system has also resulted in a short term loss of income due to the inability to back date charges to service users.

- Deprivation of liberties, DOLS (overspend £0.3m). Following recent legal challenges nationally, there has been an increasing number of DOLS referrals and assessments. Due to capacity in the team it has been necessary to commission external expertise to manage the demand. This pressure has been recognised in the 2015/16 budget where growth of £0.4m has been allocated for the additional demands.

- Community equipment pooled budget (overspend £0.2m). Demand for community equipment has increased as more people are supported in their own homes.

17. The overspends above are partially offset by underspends in other areas, including:

    - HART (£0.6m) Where home care assistant turnover and efficiencies are being realized following the implementation of the new rostering system.

    - Assessment and care management teams (£0.5m) due to vacancy controls and savings from service reviews.

    - Communities and Wellbeing (£0.3m) as a result of employee underspends and managing book fund expenditure.

    - Additional income and early achievement of social care savings (£0.2m) around continuing healthcare income and the review of preventative services.

18. A number of actions have been taken, including an independent review of the strategic direction of the department to assist with demand management and income collection. The following system changes have been implemented;

    - Increased management controls for care packages commissioned through a change to delegated powers. All higher cost placements are subject to an enhanced level of senior management oversight and control.

    - Existing arrangements for deciding on the packages commissioned have been reviewed and increased controls relating to care home placements and home care package cost post hospital discharge are now in place.

    - A robust approach to claw back of personal budget underspends has been implemented to ensure that unused cash balances are returned and ongoing reductions are made to personal budget allocations.

- A review of income collection including, reducing the number of outstanding financial assessments and annual service user reviews. In the medium term, following the upgrade to IAS, a review of all income collection processes will be undertaken with a view to improving efficiency by reducing the number of manual processes in place.

- Underspends will be maximised through vacancy control processes.

19. In January 2015 the Department received a specific grant of £0.5m from the Department of Health to help reduce the number of recorded Delayed Transfers of Care (DTOC) attributable to social care. The grant has to be spent by the end of March 2015. The funding has been specifically allocated to reablement services, service user review and step down support. Due to the grant timescales, £0.3m of existing eligible spend will be substituted to maximise the grant claim. The resulting underspend will be carried forward to 2015/16.

Public Health

20. Following the transfer of Public Health budgets from the NHS, a review of contracts has resulted in a number of opportunities to reduce the cost of services procured through scrutiny of transferred commissioned services. This means that a saving of around £1m is likely to be realised in 2014/15 which provides the opportunity to bring forward MTFS savings targets in 2015/16 of £0.5m rising to £1m in 2016/17.

21. An underspend of £0.9m is also forecast due to: lower volumes of activity than original anticipated in sexual health contracts, lower payment by result costs in smoking and tobacco prevention contracts, slippage on substance misuse projects and staff turnover. Preventative spend elsewhere in the County Council suitable for substitution will be identified and evaluated through a prioritisation tool to assess its Public Health value compared to other opportunities.

Environment and Transportation

22. The Department is forecast to have a net underspend of £1.4m (1.8%). This includes:
    - Highways - a net underspend of £0.59m on highways maintenance is partly offset by a shortfall on the contribution from Leicestershire Highways Operations of £0.40m.
    - Transportation - underspends on Concessionary Travel (£0.33m), Mainstream School transport (£0.29m) and transport staffing and administration costs (£0.29m) are partly offset by overspends on Special Education Needs transport (£0.25m) and Public Bus Services (£0.2m) and Social Care transport (£0.05m).
    - Environment - underspends in several parts of the Environment budget are partly offset by overspends on Landfill (£0.64m), Composting and Waste Wood contracts (£0.21m) and Treatment contracts (£0.08m).

Chief Executives

23. The Department is forecast to have a net underspend of £0.89m (7.7%), mainly relating to underspending on New Homes Bonus funded schemes, the early achievement of savings in Democratic Services, staff vacancies and increased income, offset by an overspend of £0.1m on Coroners.

Corporate Resources

24. The Department is forecast to have a net underspend of around £0.73m (2.0%), mainly relating to School Food over-performance against targets, staffing underspends and increased income, partly offset by additional ICT project expenditure, property disposal costs relating to additional capital receipts and overspends on East Midlands Shared Services and Insurance.

Contingencies

25. A contingency of £4m was made against delays in the achievement of savings. At this stage of the year and given the forecast overspend on Adults and Communities, the contingency has been released and is shown as an underspend.

26. A provision of £3m was made for severance/invest to save issues. If the requirement is less during the year, the balance will be transferred to the Transformation earmarked fund to meet costs in future years.

27. A contingency of £6.0m was made for inflation. The vast majority has now been allocated to departments for residential care charge increases, pay awards, inflation on premises, ICT, street lighting energy, waste budgets and for several other minor items.

28. The MTFS includes a £1m contingency for business rates income. The contingency is to fund potential shortfalls in business rates income impacting in later years and will be transferred to an earmarked fund at year end.

Central Items

29. Bank and other interest is forecast to be £0.4m higher than the original budget, due to balances being higher than anticipated

30. An underspend of £0.5m is forecast on the Financing of Capital budget, arising from the voluntary repayment of debt of £8.4m in 2013/14, funded from the net underspend at year end.

31. The Financial Arrangements budget is forecast to underspend by £0.4m, mainly due to the receipt of a rebate on a centralised agency arrangement and lower than budgeted external audit fees. These underspends are partially offset by expenditure of around £52,000 regarding County Council contributions of 75% towards the costs of a review of Single Person Discount cases undertaken by six of the District Councils in conjunction with a third party. This major review

revealed over 2,800 individuals were taking advantage of the 25% rebate when they were ineligible. It means that the County Council, District Councils and the Police and Fire authorities will all benefit from extra council tax revenue estimated to be in the region of £0.9m. The County Council's share is around £0.65m.

32. In 2013/14 the County Council agreed to contribute £125,000 for additional administrative costs and £0.25m towards Discretionary Discount Funds (DDF) to the District Councils, following changes made under the Localisation of Council Tax Support (LCTS) reforms. The results of quarterly monitoring exercises during 2014/15v show that there has been a marked increase in claims on the DDF. However, it appears likely that the DDF monies carried forward from 2013/14 (£208,000) will be adequate to fund the DDF requirements in 2014/15 and consequently the £0.25m additional funding in 2014/15 is forecast to be unspent. The scale of DDF required in later years will be reviewed with the Districts in April 2015, when the final 2014/15 position is available.

33. A forecast of £0.7m has been made for prior year adjustments. This mainly relates to the County Council's estimated share of surplus balances from Connexions Leicester Shire Services Limited's reserves following the decision to close the service.

Business Rates

34. The Government introduced the Business Rates Retention system from April 2013. The business rates "baseline" ("local share") income which is to be collected during 2014/15 is based on a formal return submitted to the Government by the Districts, and this shows an increase of £0.4m compared with the budget in the current MTFS. Any shortfall in the level of actual 2014/15 business rates income will impact on 2015/16 or later years.

35. Additional Section 31 Grants of £1.36m are anticipated regarding compensation for the loss of business rate income arising from a number of Government policy decisions, including a further extension of the temporary increase in Small Business Rate Relief and the 2% cap on the business rates multiplier in 2014/15, rather than applying the September 2013 RPI increase of 3.2%.

36. The County Council has undertaken quarterly monitoring with the District Councils and Leicester City Council to assess the position and also to model the possibility of reforming the Leicester and Leicestershire Business Rates Pool in 2015/16. A final decision to reform the Pool was made in January, following consideration of information in the Provisional Local Government Settlement and provisional business rates forecasts from the District Councils.

Revenue Summary / Invest To Save Proposal

37. A net revenue underspend of £13.6m has been identified. The approach to underspends during the period of austerity has been to use funds to reduce liabilities (and associated future costs), fund Invest to Save projects and

provide resources for one-off investment for Council priorities. It is proposed to continue this approach and that the potential underspend be used to provide funding of £6.5m for the 2015-19 MTFS street lighting LED capital project and to fund the voluntary repayment of debt of £1.2m, leading to savings in future years of £0.1m per annum on the financing of capital budget. It is also proposed that the underspend be used to fund carry forward requests and Transformation projects.

CAPITAL PROGRAMME

38. The table below shows an updated budget of £61.0m. The change in resources reflects slippage from 2013/14 and additional resources in 2014/15.

	Original Budget £m	Outturn adjustment and Changes in Funding £m	Updated Budget £m	Forecast £m	Updated Budget v Forecast Variance £m
Children & Family Services*	12.4	0.3	12.7	10.8	-1.9
Adults and Communities	1.6	0.6	2.2	1.9	-0.3
E&T-Transportation	29.3	4.6	33.9	28.2	-5.7
E&T-Waste Management	0.6	0.1	0.7	0.4	-0.3
Chief Executive's	3.8	0.4	4.2	4.8	0.6
Corporate Resources	2.7	1.0	3.7	2.3	-1.4
Corporate Programme	3.6	0.0	3.6	2.7	-0.9
Total	**54.0**	**7.0**	**61.0**	**51.1**	**-9.9**

*Excludes Devolved Formula Capital (DFC)

Children and Family Services

39. The latest forecast shows slippage of £1.9m compared with the revised budget.

40. The School Accommodation Programme is forecast to slip by £1.3m. The main variances are on works at Quorn St Bartholomew Primary (£0.5m) and Burbage Infants (£0.3m) relating to delays in commissioning projects due to capacity issues and new contractor/new Scape framework issues. Also slippage on works at Melton Brownlow Primary (£0.3m) as the school will utilise other joint funding prior to calling on County Council money.

41. Slippage is also reported on the Targeted Early Help Hubs programme (£0.5m) as a result of the cost estimates exceeding the original budget approval and a review of the options available.

Children and Family Services: 2015-18 Capital Grant Announcements

42. On the 9th February 2015 the Department for Education (DfE) announced the following capital grant allocations.

- School Condition Grant 2015/16 (previously called Schools Capital Maintenance) £3.4m – in line with the MTFS estimate
- Schools Devolved Formula Capital 2015/16 £0.8m – in line with the MTFS estimate.
- Basic Need allocation for 2017/18 of £4.5m towards providing new school places. Future allocation not yet included in the MTFS.

43. In addition the DfE announced The Priority School Building Programme 2 (PSBP2) which included four successful school bids to rebuild facilities or undertake major refurbishment. The projects will be designed, managed and delivered by the Education Funding Agency (EFA). The EFA intend to undertake scoping studies in April 2015 to assess the detailed work required, costs and timescales. The schools involved are:

- Birstall Highcliffe Primary
- Thurmaston Bishop Ellis Primary
- Birstall Longslade Community College
- Countesthorpe Leysland High School

44. An announcement was also made by the DfE relating to Universal Infant Free School Meals. Four primary schools were successful in their bids for funding; Stoke Golding St Margaret’s, Wigston Waterleys, Snarestone and Melton The Grove. The DfE have not yet published the amounts or details of how the works will be commissioned, through the DfE or the local authority.

Adults and Communities

45. The latest forecast shows slippage of £0.3m compared with the revised budget. Works to relocate the Limes Day Centre within Hinckley Library have been delayed while the service explore alternative delivery models for The Limes.

Environment and Transport – Transportation Programme

46. The latest forecast shows net slippage of £5.7m compared with the updated budget.

47. This mainly relates to slippage on works to construct a new bridge over the M1 at Lubbesthorpe, £5.7m. There are difficulties in finalising the funding agreements between the Homes and Community Agency, the land owner and the developers which has delayed the scheme. The agreement is expected to be signed by the end of March 2015 and the work to commence in April 2015.

48. Other variances on the programme include:

- The Area Office Accommodation (Depot Review), overspend (+ £0.5m) mainly due to additional health and safety and environmental works
- Land compensation payments (Part 1 Claims) regarding Earl Shilton bypass (+£0.3m)
- Works to complete A50/A46 junction improvements (+£0.1m)
- ITS Block/Safety Programme underspend (-£0.2m)
- Active and Sustainable programme underspend (-£0.1m)
- Advanced design underspend (-£0.2m)
- Street Lighting underspend (-£0.1m)
- Bridge Maintenance underspend (-£0.1m).

Environment and Transport – Waste Management

49. The latest forecast reports slippage of £0.3m compared with the updated budget. Slippage on works to the Coalville transfer station has occurred following a review of the business case and a delay to obtaining planning permission.

Chief Executive's

50. The latest forecast shows net acceleration of £0.6m (from 2015/16) compared with the updated budget. The main reason relates to good progress being made by BT delivery of phase 1 of the Superfast Broadband deployment. No additional spend is expected overall.

51. Other variances include: slippage on the Rural Programme (£0.1m) and Shire & Better Places programme (£0.1m) which are offset by acceleration on Loughborough Science park £0.1m and Kegworth Community Centre £0.1m.

Corporate Resources

52. The latest forecast shows slippage of £1.4m compared with the revised budget. The main variances are described below.

53. The Demolition of Vacant Buildings is forecast to slip by £0.4m. A programme of works has now been developed. This includes action to manage risk at the former Recycling and Household Waste site at Sileby, consultancy and sites development projects at Melton KEVII.

54. The Corporate ICT programme is forecast to incur slippage of £0.3m. There have been some delays recently experienced on the Firewall project and also the majority of the Virtual Desktop Infrastructure spend through the County Hall Master Plan is now unlikely to take place until at least April 2015.

55. The Online Services Project is forecasted to slip by £0.2m, whilst phase 1 of the new County Council website will be implemented as planned by 1st April 2015, however there is further work needed on integration with other systems

and additional content development which is now scheduled to take place in the first few months of 2015/16.

56. Other minor variances include:

- Property Asset Management System (PAMS) – slippage £0.1m, due to a revised Go Live implementation date of September 2015.
- Electronic Document and Record Management System replacement scheme, slippage of £0.1m.
- Data Quality/Pseudonymisation Software project, slippage £0.1m
- WAN replacement project, underspend £0.1m. Reduction in the number of sites implemented.

Corporate Programme

57. The forecast shows slippage of £0.9m compared with the revised budget.

58. Corporate Asset Investment Fund is forecast to slip by £0.7m. Investment in one site has commenced and is expected to complete during 2014/15. Whilst other schemes continue to be pursued only minimal further expenditure is expected to be incurred during this financial year.

59. The Property Energy Strategy forecasts slippage of £0.2m due to aligning works with other capital schemes which span over the current and next financial year.

Capital Receipts

60. The forecast of total capital receipts in 2014/15 is £3.3m. The latest position for 2014/15 is:

Summary of capital receipts	**£m**
Unapplied Capital Receipts b/f from 2013/14	11.0
Forecast 2014/15 Capital Receipts	3.3
Sub Total	**14.3**
Amount required to fund 2014/15 programme	(8.5)
Earmarked Capital Receipts (for future schemes)	(1.2)
Balance c/fwd to fund 2015-19 capital programme	**4.6**

Capital Summary

61. The updated capital programme totals £61.0m and is forecast to underspend by £9.9m. At this stage it is projected that spending will be 84% of the updated budget, mainly as a result of one large scheme (M1 bridge delay, £5.7m). Excluding the M1 bridge project forecast spend would be 93% of the updated budget.

62. Overall the aim is that 95% of available resources should be spent in year.

Recommendation

63. The Scrutiny Commission is asked to note the contents of this report.

Background Papers

Report to County Council – 19 February 2014 – Medium Term Financial Strategy 2014/15–2017/18
http://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=3961&Ver=4

Circulation under the Local Issues Alert Procedure

None.

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List of Appendices

Appendix 1 – Revenue Budget Monitoring Statement
Appendix 2 – Revenue Budget – Forecast Main Variances
Appendix 3 – Capital Programme – Forecast Main Variances

Human Rights and Equality Implications

No direct implications.