Leicestershire County Council

SCRUTINY COMMISSION – 13TH SEPTEMBER 2017

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

2017/18 MEDIUM TERM FINANCIAL STRATEGY MONITORING (PERIOD 4) AND INVESTMENT IN PROJECTS

Purpose of Report

1. The purpose of this report is to provide members with an update on the 2017/18 revenue budget and capital programme monitoring position and to provide details of proposed investment in two Environment and Transport projects using funding from the central inflation contingency, to be considered by the Cabinet at its meeting on 15th September 2017.

Policy Framework and Previous Decisions

2. The 2017/18 revenue budget and the 2017/18 to 2020/21 capital programme were approved by the County Council at its budget meeting on 22 February 2017 as part of the Medium Term Financial Strategy (MTFS). The MTFS is monitored throughout the financial year.

3. The Cabinet on 23rd June 2017 approved the following revisions to the 2017/18 revenue budget:

   - MTFS contingency not required: -£4m
   - Inflation contingency – National Living Wage/ Fee Review increases in the Adults and Communities department budget not required:-£5m
   - Business rates retained income – returns by districts indicate additional ”local share” income due to the County Council: -£1.1m
   - The £10.1m funding released by the changes above was added to the Revenue Funding of Capital budget to provide additional funding needed for future capital developments to achieve revenue savings and support necessary service investment.

4. The Cabinet on 15th September 2017 is to be recommended to:

   a) Note the current year financial position as outlined in the report.

   b) Approve the areas of investment set out in paragraph 34 of this report, to be funded from the central inflation contingency.

Background

5. The latest revenue budget monitoring exercise shows a net projected underspend of £0.3m.

6. The latest capital programme monitoring exercise shows net slippage of £3.7m, mainly relating to the Asset Investment Fund programme and acceleration on the Street Lighting LED programme.

7. The monitoring information contained within this report is based on the pattern of revenue and capital expenditure and income for the first four months of this financial year. As a result the forecasts should be regarded as initial indications.

REVENUE BUDGET

8. The results of the latest revenue budget monitoring exercise are summarised in Appendix 1 and details of major variances are provided in Appendix 2.

Children and Family Services

Dedicated Schools Grant (DSG) Budget

9. There is a forecast overspend of £1.1m on the DSG High Needs Block. This will be funded from the DSG earmarked fund. The main variance is on the Specialist Teaching Service where there is a forecast overspend of £0.6m; transformation of these services was delayed pending the recruitment of a service lead which will delay the £0.8m MTFS saving. This is partially offset by savings generated through non-recruitment to vacancies pending the restructure of these services. The project to deliver the restructure is now underway but full savings will not be realized until 2018/19.

Local Authority Budget

10. At this stage in the year an overspend of £5.2m is forecast on the local authority budget which is inclusive of additional posts in order to enable the department to deliver the Ofsted action plan where growth of £2m will be formalised within the 2018/19 MTFS. There is a separate report on this issue on the agenda for the meetings of the Cabinet and the Scrutiny Commission meetings in September.

11. Social care staffing budgets are estimated to overspend by £1.9m in total. Additional posts have been agreed in order to respond to issues highlighted by the Ofsted inspection in relation to caseloads and to respond to the post inspection action plan (full year cost £2.5m). Pending recruitment it has been necessary to engage agency staff for the additional posts and to provide capacity to cover vacant posts.

12. Initial projections show a forecast £2.2m overspend on the Social Care Placement Budget. Over the past five years the County Council has seen a significant growth in its Looked After Children (LAC) population, which has risen by 36% (from 375 in March 2012 to 510 in March 2017) and now stands at 533. Many other authorities

are experiencing similar pressures with the LGA reporting 75% of Councils overspending and a cumulative pressure of £600 million. Even with the rise the County Council's overall comparative rate remains low, however its use of residential care is high which, given the very large cost of these kinds of placement, is one of the main drivers for the increase in expenditure in this area. A Care Placement Strategy is being developed as part of the Transformation Programme with the aim of more effectively managing the main aspects of the Looked After Children's System to where possible impact upon demand and reduce costs. The main aspects of the Action Plan are detailed in Appendix 3.

13. Recruitment to Heads of Service is now complete, however the need to engage interim staff pending permanent positions being filled will result in an overspend of £0.6m within the Directorate.

14. An overspend of £0.6m is forecast on the legal services budget as the number of court proceedings has increased. Additional funding to address this budget pressure is included within the £2m referred to above and accounts fully for the overspend.

15. Information, Advice and Guidance (IAG) is forecast to underspend by £0.4m. The current contract for the provision of this service from October 2017 at a reduced cost results in early achievement of the MTFS saving planned for 2018/19.

16. A further overspend of £0.2m is projected on Unaccompanied Asylum Seeking Children (UASC) as numbers of children and young people arriving spontaneously in Leicestershire has increased over the first quarter of the financial year.

Adults and Communities

17. The Department is forecasting a net underspend of £4.9m (3.6%). The main variances are set out below.

18. The department's outturn position for 2016/17 was a £10.9m underspend, some of which will recur in 2017/18. £4m has already been adjusted for in the 2017/18 budget, as the underspend was forecast before the budget was set. A further £5m adjustment is mentioned earlier in this report and will be used to fund inflation increases on contract spend. The net effect of these adjustments is to reduce the impact on the 2017/18 budget to a c. £2m underspend.

19. The £2m underspend will be reported as a variance on Community Income, as the adjustments described above impact the expenditure budgets. The Community Income variance is £2.3m for the current year, as Continuing Health Care income continues to perform strongly, partly through more accurate/timely recording on social care systems.

20. Residential and Nursing Care is forecast to underspend by £0.7m. Expenditure in the financial year is £1.4m below budget due to additional service user income, reduction in the number of service users and lower average care package costs. However, this has been offset by backdated arrears relating to the previous years (£0.7m). The department is implementing an action plan to reduce the instance of arrears in future.

21. The in-house provision of care services is underspending (£0.6m) due to a combination of lower demand and vacancies being held in advance of the savings requirement.

22. Other staffing areas are underspending (£0.5m); some of this is temporary relating to vacancies arising following the restructure. However, some may contribute towards the posts that are currently funded from temporary BCF resources.

23. The four community care services are all underspending marginally (£1.0m / 1%), mainly due to lower than forecast growth.

24. As in previous years the profile of service users and their care needs are constantly changing which may impact on the services commissioned. Detailed work is being undertaken to monitor the impact on the budget, which can be significant with demand led expenditure totalling c£160m.

Public Health

25. The Department is forecast to achieve a net underspend of around £0.1m resulting primarily from the early achievement of MTFS savings targets.

Environment and Transport

26. The Department is forecast to have a net underspend of around £60,000 (0.1%).

Highways

27. Underspends are forecast on Street Lighting Maintenance (£0.4m), due to early realisation of savings and on Management and Training (£0.2m) and Highways Delivery staffing and administration (£0.1m), due to vacancies. These are partly offset by overspends on Winter Maintenance (£0.1m) due to changes to shifts/rota and additional salt costs, and Forestry (£0.1m) due to safety critical issues requiring attention.

Transportation

28. Overspends on Special Educational Needs Transport (£0.3m), Social Care Transport (£0.3m), Concessionary Travel (£0.1m) (all demand led services) and Public Bus Services (£0.1m) are partly offset by an underspend on Mainstream School Transport (£0.3m) (also demand led).

Environment and Waste

29. An overspend on Haulage and Waste Transfer (£0.2m) arising from a variety of reasons but including the enforced temporary closure at Whetstone due to a fire is offset by underspends on Composting Contracts (£0.1m), due to lower tonnages than forecast, and Recycling and Household Waste Sites (£0.1m), from forecast income from recyclables being more than budgeted.

Chief Executive’s

30. The Department is forecast to have an underspend of £0.5m (4.5%). Growth of £150,000 for a contribution to the running of the proposed Combined Authority will not be required due to a delay in the decision by the Government, and there are vacancies and salary savings as a result of new appointments.

Corporate Resources

31. Corporate Resources is forecasting an underspend of £0.3m (1.0%), primarily from staffing and other early savings ahead of future savings in ICT, Human Resources, Strategic Finance and the Customer Services Centre, partly offset by an overspend on the cost of buildings and reduced income for Learning and Development.

Carbon Reduction Commitment (CRC)

32. The CRC requirement for 2017/18 is forecast to be around £130,000 less than the original budget, reflecting reduced energy usage, particularly on street lighting as a result of the acceleration of the capital investment.

Contingencies and proposed investment

33. Transfers of £2.9m have been made from the updated inflation contingency, mainly relating to the 2017/18 pay award and increases in employer pension contributions. A balance of £5.4m remains in the contingency, to cover running cost and other inflation issues, including the Apprenticeship Levy.

34. It is proposed that £0.7m of the £5.4m contingency balance be released to provide funding for the following issues relating to the Environment and Transportation department:

- £0.5m to enable the Council to improve its response times in repairing reported pot holes
- £0.2m to enable the Council to manage school parking issues better (zig zag enforcement)

Central Items

35. Additional expenditure of £0.8m is forecast on the Revenue Funding of Capital heading, relating to the transfer of Pooled Property Fund investment income to a separate earmarked fund, to provide funding for future capital developments.

36. An underspend of £50,000 is forecast on the Central Expenditure heading, relating to the Members Expenses and Support budget, due to a Political Assistant post which is vacant and is not going to be recruited to.

Business Rates

37. Section 31 grants are received regarding compensation for the loss of business rate income arising from various business rates reliefs granted by the Chancellor of the Exchequer. The 2017/18 MTFS included a forecast of £1.5m, however information subsequently received from the Government indicates a total of £1.8m will be due.

38. The County Council is undertaking quarterly monitoring with the District Councils and Leicester City Council regarding the 2017/18 Leicester and Leicestershire Business Rates Pool. The latest forecasts show a potential surplus of around £6.1m in 2017/18 compared with a forecast of around £5.9m in January 2017.

39. The Pooling Agreement allows for any surplus to be transferred to the Leicester and Leicestershire Enterprise Partnership (LLEP) for investment in the wider sub-regional area.

Revenue Summary

40. At this stage there is a projected net underspend of £0.3m. There are potential future commitments that may need to be funded from the underspend (and other funding). These are:

- Ash Dieback – works to tackle the impact which could cost in the region of £5m over the next few years.
- “Sleep in” shifts in Social Care - following a recent ruling that workers should be paid the national minimum/ national living wage. Third party providers will be liable, as the employing organisation. However, they may seek to recover costs from the County Council.
- Transformation – continue investment which is funded from one-off funding.
- Future capital developments – requirements currently exceed identified funding.

CAPITAL PROGRAMME

41. The capital programme for 2017/18 totals £86.5m, including slippage of £3.6m from 2016/17. At this stage net slippage of £3.7m (4.2%) is forecast.

42. The analysis in Appendix 4 shows the current status of delivery of projects analysed by three categories:

- L = Live Schemes: works have commenced or are in a position to start
- P = Preparatory Schemes: schemes identified, require regulatory or internal approval
- F = Funding Available: schemes at ideas stage

43. The main variances are reported in paragraphs 44 to 53 below and in more detail in Appendix 5.

Children and Family Services (C&FS)

44. Following a detailed review of the C&FS capital programme several projects within the School Accommodation Programme are sufficiently advanced such that the works are able to start earlier than planned. As a result it has been possible to reprogramme a total of £7.2m in projects from the 2018/19 programme to 2017/18. Temporary funding from capital reserves will be used to fund the reprogramming pending receipt of the 2018/19 DfE Basic Need grant. There is a small risk that the

DfE may make changes to the Basic Need grant but this is considered to be unlikely as the unhypothecated grant has already been announced for 2018/19 (total £16.9m).

45. The schemes reprogrammed are:
- Hinckley Richmond Primary School - £2.0m
- Barwell Area Primary Places - £2.0m
- Sketchley Hill Primary School - £1.8m
- Earl Shilton, Townlands Primary School - £0.9m
- SEND Initiatives - £0.5m

Adults and Communities

46. The latest forecast shows slippage of £0.6m compared with the updated budget. The main variances are:

- Mobile Libraries - £0.3m slippage as further mobile library vehicles are not expected to be purchased in 2017/18. A decision on whether to use the remaining funding will be taken after the report to Cabinet in September 2017 on the implementation of the Communities & Wellbeing Strategy.
- Changing Places - £0.2m slippage as no identified schemes deliverable in 2017/18. There are potential schemes planned to take place in 2018/19.

Environment and Transport – Transportation Programme

47. The latest forecast shows net acceleration of £3.8m compared with the updated budget. The main variances are:

- Zouch Bridge - £1.4m slippage as land purchase is being protracted. A Compulsory Purchase Order is expected to take place in 2017/18 with construction commencing early 2018/19.
- LED Street Lighting - £5.0m acceleration of scheme to enable early finish and therefore early realization of savings; additional installation gangs have been contracted.

48. Since the MTFS was compiled, the Department for Transport (DfT) has notified the Council that the grant funding for the Melton Mowbray Eastern Distributor Road, business case development will now be awarded as a revenue grant. As a result the original scheme allocations have been moved to the revenue budget, £0.8m in 2017/18 and £2m in 2018/19. The latest estimate for the business case is now c. £2.1m. The grant will be adjusted down once confirmed with the DfT.

49. Leicestershire County Council has been successful in obtaining funding from Highways England and Private Developers for the following schemes. These will be included in the new MTFS 2018-22:

Anstey Lane (A46 / A560), up to 2,378 homes and around 260 jobs - £5.0m Growth and Housing Fund / £2.8m private developers. This scheme will be delivered by Leicestershire County Council and the Local Enterprise Partnership in Leicester and Leicestershire.

M1 junction 23, up to 4,000 homes and 5,644 jobs - £5.0m Growth and Housing Fund / £10.0m private funding / £3.2m local growth fund (a further £8.8m of local growth funding has been secured for other improvements in the area on the A512). This scheme will be delivered by Leicestershire County Council and the Local Enterprise Partnership in Leicester and Leicestershire.

Corporate Resources

50. The latest forecast shows a net underspend of £0.1m. The main variances are:

    - Loughborough, Pennine House Area Office - £0.2m underspend due to a reduction in the refurbishment works required.
    - Snibston Country Park - £0.2m slippage. Delay while discussions take place with the Coal Authority to release a covenant on the site before the planning application can be submitted. The planning application is anticipated to be submitted in September.
    - ICT Infrastructure Programme - £0.2m overspend. Forecast additional costs on the Unified telephony/skype and Geographical Information System replacement project, for additional functionality and implementation costs.

51. Works to renovate the former Fire Service Cottages at Anstey Frith House (£0.5m) to create additional office/meeting space, as part of the workplace strategy, will be funded from the Future Capital Development earmarked fund.

Corporate Programme

52. The latest forecast shows slippage of £6.8m compared with the updated budget. The variance relates to Coalville Workspace where the scheme is not financially viable and is being redesigned and re-costed.

53. Corporate Asset Investment Fund – Asset Acquisitions / New Investments / Rural Workspace – over the four year MTFS there is a total of £13m available for new investments (includes £5m for rural workspace projects and slippage from 2016/17). Work is underway to develop a number of schemes that may be added to the capital programme subject to approval and funding being available. The total cost of the schemes being developed is c.£48m. Once completed income of c.£3m per annum is estimated. A separate detailed report setting out the Corporate Asset Investment Fund strategy and planned projects will be submitted to the Cabinet on 15 September 2017 and is on the agenda for this meeting of the Scrutiny Commission.

Capital Future Developments

54. The MTFS 2017-21 includes funding of £16.7m for future developments. Additional funding was approved by the Cabinet on 23 June 2017; £8.5m from the 2016/17 revenue outturn, £10.1m based on initial revenue monitoring for 2017/18 and £1.1m transferred from the existing earmarked fund for Loughborough University Science Park. A further £0.8m of funding has been identified in this report relating to Pooled Property investment income for 2017/18. The overall funding for future developments totals £37.2m.

55. Several projects are being worked up, currently only one project has been approved for funding: workspace strategy, £0.5m to refurbish the former Fire Service cottages in Anstey Frith House has been allocated funding from the overall pool available.

56. As described in the report to Cabinet on the 23rd June there is a long list of projects requiring funding over the next 4 years. These include investment in infrastructure for schools and roads arising from increases in population, investment in community speed enforcement depending on the outcome of the pilot, a new records office and collection hub, major IT system replacements (mainly Oracle which the Council has had in place since the early 1990's) and additional investment in the corporate asset investment fund and energy efficiency programme to generate ongoing revenue savings and additional income.

57. The Draft Corporate Asset Investment Fund Strategy Report on this agenda seeks support from the Cabinet to utilise £34.86m of the future developments funding to support asset investments across the four years of the MTFS. Therefore further options will need to be considered to increase available funding for other projects. These will be considered as part of the new MTFS for 2018-22. They will include reviewing existing earmarked funds, potential further MTFS contributions, additional capital receipts and, if necessary and the investment is worthwhile, prudential borrowing funded from external loans or internal borrowing.

Capital Receipts

58. The latest forecast of general capital receipts in 2017/18 is £12.4m compared with the budget of £8.9m. The increase to budget at year end will be carried forward to fund future capital programmes as part of the MTFS.

Recommendation

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

Background Papers

Report to County Council -22 February 2017 – Medium Term Financial Strategy 2017/18 to 2020/21
http://politics.leics.gov.uk/documents/s126527/MTFS%202017%20-2021.pdf

Report to Cabinet – 15 September 2017 – 2017/18 Medium Term Financial Strategy Monitoring (Period 4) and Investment Proposals

Report to Cabinet – 23 June 2017 – Provisional Revenue and Capital Outcome 2016/17
http://politics.leics.gov.uk/documents/s129536/FINAL%20201617%20Provisional%20Revenue%20and%20Capital%20Outturn.pdf

Circulation under the Local Issues Alert Procedure

None.

Appendices
Appendix 1 – Revenue Budget Monitoring Statement
Appendix 2 – Revenue Budget – Forecast Main Variances
Appendix 3 - Looked After Children Action Plan
Appendix 4 - Capital Programme Monitoring Statement
Appendix 5 - Capital Programme – Forecast Main Variances and Changes in Funding

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Equality and Human Rights Implications

There are no direct implications arising from this report.