



SCRUTINY COMMISSION: 28 JANUARY 2019

MEDIUM TERM FINANCIAL STRATEGY 2019/20 – 2022/23

**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 2019/20 to 2022/23 Medium Term Financial Strategy (MTFS) as it relates to the Chief Executive's Department; and
 - b) ask the Committee to consider any issues as part of the consultation process, and make any recommendations to the Cabinet accordingly.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2018. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2019/20 – 2022/23 was considered by the Cabinet on 18 December 2018.

Background

3. The MTFS is set out in the report to Cabinet on 18 December 2018, 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.
4. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process on the 8 February 2019 before recommending an MTFS, including a budget and capital programme for 2019/20, to the County Council on the 20 February 2019.

Service Transformation

5. The Department takes the corporate lead on developing and delivering the Strategic Plan and the Communities Strategy; the former incorporating a single outcomes framework; the latter prioritising support for service devolution, community engagement and community capacity building. The Department also leads the Council's work to support economic growth, working closely with the Leicester & Leicestershire Enterprise Partnership (LLEP), Midlands Engine and other partners to secure and deploy funding. The Department also leads the provision of business intelligence to support effective commissioning and service delivery. The Emergency Management and Resilience Team is managed within the department, these staff support two Resilience Partnerships and lead on business continuity for the authority.

6. Services operated by the Department include Planning and Historic and Natural Environment responsibilities as well as regulatory activities: Trading Standards, Coroners, registering births and deaths and offering a range of ceremonies.
7. The Legal and Democratic Services Teams have a key role in ensuring that the necessary legal basis for proposed actions is established and that due process is followed to avoid the risk of challenge.

Proposed Revenue Budget

8. Table 1 below summarises the proposed 2019/20 revenue budget and provisional budgets for the next three years thereafter. The proposed 2019/20 revenue budget is shown in detail in Appendix A.

Table 1 – Revenue Budget 2019/20 to 2022/23

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Original prior year budget	9,938	10,623	10,518	10,443
Budget transfers and adjustments	480			
Add proposed growth (Appendix B)	315	60		
Less proposed savings (Appendix B)	-110	-165	-75	
Proposed/Provisional budget	10,623	10,518	10,443	10,443

9. Detailed service budgets 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.
10. The central contingency also includes provision for an annual 1% increase in the employers' contribution to the Local Government Pension Scheme based upon the 2016 triennial actuarial revaluation of the pension fund.
11. The total proposed expenditure budget for 2019/20 is £17.5m with contributions from grants, fees and charges and other income sources totalling £6.9m. The proposed net budget for 2019/20 of £10.6m is distributed as shown in Table 2 below:

Table 2 - Net Budget 2019/20

	£000	%
Democratic Services, Administration and Civic Affairs	1,654	15.6
Legal Services	2,248	21.2
Strategy and Business Intelligence	3,755	35.3
Emergency Management & Resilience	277	2.6
Regulatory Services	2,245	21.1
Planning, Historic and Natural Environment	425	4.0
Departmental Items	19	0.2
	10,623	100.0

Budget Transfers and Adjustments

12. A number of budget transfers (totalling a net increase of £0.5m) were made during the 2018/19 financial year. These transfers are:

- £310,000 for pay and pension inflation (including the apprenticeship levy) transferred from the central inflation contingency
 - £145,000 from Adults & Communities to fund posts within Legal specialising in Social Care and Debts.
 - £25,000 from Member Services to facilitate a wider review of support staff
13. 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
14. This star rating is included in the descriptions set out for growth and savings below.
15. Savings have also been highlighted as 'Eff' or 'SR' dependent on whether the saving is seen as an efficiency or service reduction or a mixture of both. 'Inc' denotes those savings that are funding related and/or generate more income.

GROWTH

16. Details of proposed growth are set out in Appendix B and provide for an additional £0.4m per annum by 2022/23. These are described in the following paragraphs. Before the MTFS report to Cabinet on 8 February, the provisional MTFS will be reviewed and if appropriate updated by the latest budget monitoring position for 2018/19.
17. **G18 Hardship and Crisis Support Service; £45,000 in 2019/20 rising to £105,000 in 2020/21

The County Council took over responsibility for this service from the Department for Work and Pensions in April 2013 and received grant funding until 2015/16. The unspent grant monies were then held in an earmarked reserve and used to continue the service. The service comprises a combination of crisis and hardship provision of food, fuel and predominantly reused furniture and white goods. The current annual cost of the service is £260,000. However, the provision is being redesigned to enable a broadly similar but lower cost service to be provided going forward. The service will be funded in 2019/20 by a combination of the balance remaining of the earmarked reserve, the existing budget provision of £0.1m and the growth funding of £45,000. The ongoing growth requirement to continue the service once the reserve has been exhausted is £105,000. Should the growth bid not be approved this would result in much more limited access to both acute and preventative services for vulnerable people suffering from crisis and hardship. In addition to personal costs for people who would not be able to access support there would also be additional downstream costs for council and health services.

18. G19: Business Intelligence Pupil Forecasting; £40,000 in 2019/20

Resource is requested for an analyst post to support and enhance Leicestershire County Council's pupil forecasting and Section 106 related work. This is a key area of work for the council and impacts upon both the income that the council receives and the council's reputation. If the resource has to be found by redeploying existing staff in

the BI Service then this would impact upon other statutory reporting requirements increasing the financial and reputational risk for different areas of the council.

19. G20: Legal Services – Increased Caseload; £230,000 in 2019/20

The service is proposing to increase capacity by 4.5FTE solicitor posts and 1FTE paralegal post. These posts will cost £0.3m but this will be partially met from redirecting existing resources and additional income generated. The net funding requested is £230,000. As shown in the detail below, particularly in relation to Adult Social Care, the lack of capacity can result in external solicitors being used, which is at a significant cost to the authority. These costs when incurred are absorbed by departments. Therefore it is expected that if the growth bid is successful, there will be a reduced call on external providers.

In common with other local authorities, legal services face difficulty in recruiting to posts. It is important that the service is adequately resourced to ensure the Council is an employer of choice for legal staff. At present, the demands on the service are not sustainable and the service is not in a position to deliver the high quality and timely advice that the Council requires to help it to deliver the MTFs and to also meet on going service demand.

The increased capacity is required in a number of areas:

Environment & Infrastructure (1FTE solicitor and 1FTE paralegal)

These posts will provide legal input to various major Highways projects in order to draft complex legal agreements. The paralegal post is required to manage the increasing numbers of Highway Agreements due to increased residential development.

Litigation and Information Governance (2 0.5FTE solicitors)

A 0.5 FTE Litigation solicitor is required to address additional demands placed by the Council's insurers in addition to additional work for external Clients and internally from Regulatory services. Separately, a 0.5 FTE post is required to undertake specialist Information Governance work. There is currently no dedicated resource for this work, the current situation does not recognise the complexity and increased profile of the issues being dealt with.

Adult Social Care (1 FTE solicitor)

To meet demand for Adult Social Care, one additional solicitor post is required. This would reduce reliance on external provision (costs met by Adults and Communities) which has cost £175,000 since January 2018. Concerns have been expressed by Adults and Communities about the external solicitor's lack of familiarity with the Council's policies and procedures.

Contracts and Procurement (1.5 FTE solicitors)

These posts are required to deal with the increase in legal work expected as a result of the number of schemes included in the capital programme for Highways and Transport, projects within Waste which are expected to result in complex procurements and ICT contract work increasing. The new resource will also address increased workloads resulting from activities related to Health Integration, Commercialisation and Transformation.

SAVINGS

20. Details of proposed savings are set out in Appendix C and total £0.1m in 2019/20 rising to £0.4m per annum by 2022/23. These are detailed in the following paragraphs.
21. **CE1 Eff Review of staff absence; £10,000 in 2019/20
To reflect the support being put in place to reduce staff absence a financial target has been allocated to all departments. As the Department has a relatively small saving, it is expected that this will be achieved in full in 2019/20.
22. CE2: Eff Review of Civic and Member Support; £25,000 in 2019/20
In the first quarter of 2018/19 Member Services and Civic Support merged together to form one section. Following that merger a review has been conducted and an Action Plan is underway to implement a new structure from 1st April 2019. The new structure will deliver the required efficiency saving.
23. CE3: Inc Legal Services Income; £40,000 in 2020/21
It is intended to review the charging rate for external legal advice to our trading partners to ensure that this reflects the Council's commercial strategy. It is also intended to review the charging arrangements for Section 106 and highway agreements following benchmarking which is likely to increase the income to the legal services budget. In addition the review of the structure of the section means that there is a greater focus on legal trading opportunities and it is intended to work with the Commercial Services Manager to ensure that opportunities to generate income are maximised.
24. CE4: SR Trading Standards Reductions in Staffing and Agency Budgets; £30,000 in 2020/21
The majority of the service budget is on employees and agency staff and these savings will therefore be made from a reduction in staffing costs. This will lead to a lower level of enforcement and prevention activities. Management efficiencies have been made to address previous savings and therefore there will be an impact on frontline services. The Service continues to prioritise its resources on higher risk interventions. However, any further reductions in staffing costs will put at risk the ability to deliver a sufficient quantity of official controls and related statutory activities.
25. CE5: SR/Eff Strategy & Business Intelligence Review of grants and contracts; £85,000 in 2020/21
Current net expenditure on grants and contracts across the Communities, Policy and Resilience function is approximately £0.9m. The main grants and contracts making up this total are the Community Infrastructure Organisation contract, revenue funding for SHIRE grants, and the Leicestershire Citizens Advice Bureau contract. All contractual arrangements are for a fixed term ending either annually or by no later than March 2021.

To deliver the MTFs targets a review of all grants, contracts and VCSE funding arrangements will be undertaken. A VCSE policy statement will also be developed setting out the Council's approach to working with the sector. The revised approach will actively seek to promote joint working and cooperation across the sector, eliminate duplication of effort and costs, and provide a more sustainable, transparent and fair approach to funding. The new VCSE policy statement and review of funding

arrangements will build on and complement the Communities Strategy, Strategic Plan, Leicestershire Compact and Social Value Policy as well as the themes and priorities identified in the government's Civil Society Strategy.

26. CE6: Inc Planning, Historic and Natural Environment Fee Income; £10,000 in 2020/21
The current budget for planning fee income is £140,000. In recent years this budget has been overachieved, and whilst income levels are dependent on external factors, income levels are expected to remain in excess of £150,000 going forward.
27. CE7: Eff Reduction in funding for developments; £50,000 in 2019/20
The Department has a small budget to fund developments. However it is considered that these could be met from the departmental reserve if smaller in value and if a larger project is being considered, which has a robust business case, this could be funded from the corporate future developments fund.
28. * CE8 SR Review funding for economic development activity to external agency; £25,000 in 2019/20 rising to £100,000 in 2021/22
This is part of a larger saving which commenced in 2016/17, covering a number of economic development activities. There has been a change to the total saving since the previous MTFS and this is explained below.

£175,000 was to be achieved by reducing funding for tourism support services and by 2019/20 a total of £100,000 savings will have been secured. By working in partnership with Leicester City Council the County Council has jointly established a Place Marketing team (incorporating strategic tourism, inward investment and place marketing) thereby reducing costs. However, ambitions for this to become self-financing have not been realised and hence some core funding is still required to undertake strategic tourism activities, for this reason the £75,000 saving previously included from 2021/22 will now not be achieved. A report on proposed changes to the Place Marketing governance and funding model will be taken to Cabinet in February 2019. The service will continue to explore alternative funding opportunities in future.

External Influences

30. BREXIT
The Department is co-ordinating the Council's response to Brexit both through corporate co-ordination of potential impacts, and through the work of the Resilience Team which is leading partnership work to prepare for a potential no-deal scenario. In terms of impact on services provided by the Department Brexit will have a significant impact on the Trading Standards Service in terms of demand for business compliance advice, as a new regulatory framework comes into effect. There may be greater demands on the service to take enforcement action where compliance advice has failed, which could impact on the achievement of the MTFS in 2020/21.

In addition changes to legislation and court decisions which impact on the Council's powers and duties will impact on legal workload. Given the Council's commissioning and procurement position, the eventual legislation that deals with Brexit will have a major impact.

The impact of Brexit on the local economy is being assessed through a Business Survey commissioned by the LLEP with the support of the County Council, and the Council has received assurance from the LLEP and Chamber of Commerce that local

businesses are being supported to prepare for potential Brexit opportunities and impacts.

31. Demand Led Activity

Legal Service's workload in relation to social care litigation, civil and criminal litigation is demand led. An increase in the local population, in particular, an ageing population, will place more demand on Trading Standards services to tackle scams and other forms of financial abuse. Consumer fraud is on the increase and trading standards investigators are required to undertake more complex enquiries as rogue trading becomes ever more sophisticated.

Other Funding Sources

32. For 2019/20, the following government grants are expected:

The Police and Crime Panel Grant (£55,300 in 2018/19) provides funding towards the administration and member expenses for the panel locally. The level of funding has yet to be confirmed for 2019/20.

The Local Reform and Community Voices Grant (£288,000 in 2018/19) provides funding to support 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 (ICAS) provides support to people who wish to make a complaint about the service they have received from the NHS. The level of funding has yet to be confirmed for 2019/20.

Capital Programme

33. The Chief Executive's Department capital programme totals £0.7m in 2019/20 and £11.7m over the next four years. Details are provided at Appendix C and in the following paragraphs.

34. Superfast Broadband Phase 3

This phase is due to commence in 2019/20 and is intended to ensure that coverage is at 97% of County properties. The priority for Phase 3 is in rural areas and planned contract works will cost £5.6m of which £3.8m will be funded from the Broadband reserve. The balance of funding is from the Capital Programme as agreed by the Cabinet in June 2017. Grant funding has also been sought to expand Phase 3 by a further £5.6m and is in the process of being confirmed. This funding would be claimed in 2020/21 and 2021/22.

The revenue costs of the Project Team have also been identified and these will be funded partly from the reserve and subject to approval, a carry forward of £0.2m from the departmental underspend.

Phase 1 of the Programme which was formally closed in 2018/19 is expected to generate £2m for Leicestershire County Council from the return of Gainshare. This is a profit sharing mechanism that redresses any over public subsidy. The monies will be received between 2018 and 2023 and will be used to repay the capital funding.

35. Shire Community Solutions Grants

The funding requested is to continue the capital scheme at the present level of funding of £0.1m per year. There is also an annual revenue budget of £0.25m per year in the

current MTFs. The Shire Community Grants scheme provides funding to voluntary and community sector organisations for projects supporting implementation of the Communities Strategy, in particular in support of vulnerable and disadvantaged people and communities. Providing support to these communities in the form of grant funded projects should also reduce demand for Council services in the longer term.

Background Papers

Cabinet 18 December 2018 - Medium Term Financial Strategy 2019/20 to 2022/23
<http://politics.leics.gov.uk/mgAi.aspx?ID=53670#mgDocuments>

Circulation under Local Issues Alert Procedure

None.

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List of Appendices

Appendix A – Revenue Budget 2019/20
 Appendix B – Growth & Savings 2019/20 – 2022/23
 Appendix C – Capital Programme 2019/20 – 2022/23

Equality and Human Rights implications

38. 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.

39. Many aspects of the County Council's MTFs may affect 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. Such assessments will be undertaken in light of the potential impact of proposals and the timing of any proposed changes. Those

assessments will be revised as the proposals are developed to ensure decision makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic.

40. 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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