



CABINET – 24 MAY 2019

MEDIUM TERM FINANCIAL STRATEGY 2020/21 – 2023/24
PROPOSALS FOR CONSULTATION

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to seek approval for the proposed approach to a widespread public, stakeholder and staff consultation on the County Council's future financial priorities. The consultation will commence in June and will be used to inform the update of the current Medium Term Financial Strategy (MTFS).

Recommendation

2. The Cabinet is recommended to:
 - a) Note the significant financial challenge faced by the County Council;
 - b) Approve the plan for a comprehensive public, stakeholder, and staff consultation as set out in the appendix to this report.

Reasons for Recommendation

3. To ensure that stakeholders' views are incorporated into the County Council's future financial plans.
4. To enable the development of the 2020/21 to 2023/24 Medium Term Financial Strategy for consideration by the County Council in February 2020.

Timetable for Decisions (including Scrutiny)

5. Subject to approval by the Cabinet, it is intended to hold a four-month public consultation exercise from June 2019 through to September 2019.
6. The results of the consultation will be considered by the Cabinet and Scrutiny Commission in November 2019. The updated MTFS will be considered by the Cabinet in December 2019 and the Overview and Scrutiny Committees in January 2020. The Cabinet will then consider the comments received and make a final recommendation to the County Council in February 2020.

Policy Framework and Previous Decisions

7. The Medium Term Financial Strategy for 2019/20 to 2022/23 was approved by the County Council in February 2019.

Resource Implications

8. The MTFS is the key financial plan for the County Council. This covers not only the allocation of resources but also how the transformation activity, which allows the County Council to respond to the financial challenge, will be funded.
9. Any resource implications that arise from the outcome of the consultation will be considered when the MTFS is updated in the autumn. This consultation will inform the County Council's priorities, but proposals to change individual services are likely to require a specific consultation prior to implementation.
10. Local Government continues to operate in an extremely challenging financial environment due to several years of funding cuts coinciding with increasing demand for services, particularly social care. Greater clarity on the financial outlook is expected this year from the Comprehensive Spending Review, Fair Funding Review and Adult Social Care Green Paper. Whilst these events may be delayed or not provide all of the desired clarity the timing of the consultation will allow the view of stakeholders to be considered alongside the latest information from Government.
11. The Director of Law and Governance has been consulted on the content of this report.

Circulation under the Local Issues Alert Procedure

None.

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PART B

Background

Current Financial Position

12. The financial position faced by the County Council is both serious and extremely challenging. This is particularly so for a low funded authority such as Leicestershire, as room for further savings is limited.
13. The combination of reducing Government grants, inflationary pressures and rising service demand has resulted in a savings requirement of £75m to be made from 2019/20 to 2022/23. The current MTFS sets out in detail £35m of savings and proposed reviews that will identify further savings to offset the £20m funding gap in 2022/23. A further £20m of savings will be required to ensure that High Needs funding can be contained within the Government grant.
14. The Government's ending of austerity coupled with the Fair Funding Review potentially indicate a reducing of the financial pressure in the future. However, even the most optimistic commentators do not suggest that Local Government will be placed in the position that demands are fully funded and resources will no longer need to be prioritised.
15. Therefore, when the MTFS is updated to include 2023/24 it is likely that an additional savings requirement will be created. Cost increases, driven by the National Living Wage, and additional service demand mean that income either has to increase at a faster rate than inflation or expenditure reductions will be required.
16. The priority for savings has and will continue to be efficiencies or additional income. The scale of the financial challenge has meant that reductions in services provided have been inevitable. This is likely to be a consideration in the future due to the existing £20m funding gap and on-going cost pressures.

MTFS Refresh

17. The MTFS will be refreshed over the autumn, with a similar approach taken to that in previous years, namely, continued investment in organisational change, planning and robust delivery of savings and a realistic allowance for growth. This needs to be done in the context of significant uncertainty ahead that will need to be mitigated by the use of contingencies.
18. The results of the consultation will be known in advance of the draft MTFS being received by the Cabinet in December 2019. This will allow proposals to be influenced by stakeholder views. The consultation results will also support the scrutiny review process in January 2020.

19. The broad MTFs timetable is:

- June to September 2019 – Stakeholder consultation
- September to November 2019 – refresh growth and savings including consideration by Lead Members, incorporating the results of the stakeholder consultation.
- December 2019 – the Cabinet is requested to approve the draft MTFs for consultation.
- December 2019 – receipt of the Local Government Finance Settlement
- January 2020 – consultation on the draft MTFs, including Overview and Scrutiny Committees and the Scrutiny Commission.
- February 2020 – the Cabinet is requested to approve the final draft MTFs for submission to the County Council.

20. In the current MTFs a series of Savings Under Development were identified. These initiatives are primarily efficiency focused and will continue to be developed for consideration in the refresh of the MTFs.

21. The approach for refreshing the MTFs will be to maintain a strong financial position until the outcome of funding reforms and future Government policy towards Local Government is clearer.

Budget Consultation

22. The last widespread stakeholder consultation exercise was undertaken in 2013. Since that time the organisation has changed significantly and stakeholders' views on priorities are likely to have evolved. It is proposed that a detailed and widespread budget consultation exercise is undertaken over the summer and early autumn.

23. The consultation will involve engagement with stakeholder groups, establishing focus groups of members of the public and a questionnaire that will be sent to all households in Leicestershire.

24. The aim of the consultation is to identify high and lower priorities including areas for further savings; also to develop thinking about the future shape and direction of the County Council including the scope for generating savings through working with other public sector organisations.

25. The appendix to this report sets out the proposed consultation process in detail. This is an important element of the development of the MTFs given the scale of the financial challenge.

Equality and Human Rights Implications

26. In line with any proposed change to the County Council's policies, procedures and services, due consideration is being given in the MTFs to ensuring that disadvantaged people and groups are not adversely impacted. Where proposed savings are likely to affect service users protected under equalities legislation,

Equality and Human Rights Impact Assessments must be undertaken at an appropriate stage in the process of developing proposals. A high-level assessment will be completed as part of the consultation planning process, followed by more detailed assessments on the specific impact of any proposals.

Crime and Disorder Implications

27. Some aspects of the County Council's MTFS are directed towards providing services which will support the reduction of crime and disorder.

Environmental Implications

28. The MTFS includes schemes that support the carbon management programme and other environmental improvements.

Partnership Working and Associated Issues

29. The consultation will seek views on partnership working and services that are provided with partners. Partners will be consultant on any proposals that affect them from the updated MTFS.

Risk Assessments

30. As this report states, risks and uncertainties surrounding the financial outlook are significant. The risks are included in the Corporate Risk Register which is regularly updated and reported to the Corporate Governance Committee.

Background Papers

Report to County Council - 20 February 2019 – Medium Term Financial Strategy 2019/20 to 2022/23

<http://politics.leics.gov.uk/ieListDocuments.aspx?CIId=134&MIId=5125&Ver=4>

Appendix

Proposed approach to consultation and engagement

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