

SCRUTINY COMMISSION - 15TH NOVEMBER 2006

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

MEDIUM TERM FINANCIAL STRATEGY

Purpose

1. To inform members of Scrutiny of the development of the Medium Term Financial Strategy (MTFS) and set out the broad implications for the Chief Executive's Department.

Background

2. The County Council agreed the latest MTFS in February 2006. The current process involves updating and refining the outline strategy.
3. A member briefing on the MTFS was held on 9th October 2006. This set the scene on the resource position being faced by the County Council over the next three years and the implications this will have for investment in services.
4. The financial planning process is different from previous years as Service Scrutiny Committees have been reviewing the medium term financial position in the autumn, through consideration of reports like this one. In addition public consultation on the budget will take place over the winter. In January Scrutiny Committees will have the opportunity to scrutinise the detailed budget proposals.
5. The Cabinet will consider the comments of the Scrutiny Committees and the results of public consultation when formulating the proposed financial strategy.

Financial Strategy

6. Over the next three years a more difficult financial position is anticipated. The settlement announced for 2007/08 gives a cash increase of only 0.8% (£0.6m). Although the Comprehensive Spending Review (CSR) for 2008/09 – 2010/11 is not due to be published until summer 2007, all the information released to date indicates that the growth in public sector expenditure experienced in recent years will reduce. The working assumption is that Government funding received by the County Council, excluding schools, will increase by 1% per annum over the next three

years. The increase in grant of £0.6m for 2007/08 compares with an anticipated cost of general inflation of over £7m (2.8%) in the same year. The cost of individual service pressures is on top of this.

7. At the same time the County Council aim is to restrict council tax increases. In any event the Government is very likely to cap authorities that seek to increase council tax by more than 5%.
8. Although the County Council faces a difficult financial environment, the financial strategy envisages continued investment in priority services. This means continuing efficiency and some lower priority savings are required. Corporately an average of around £4.5m efficiency savings and £2m lower priority service savings are required each year for the next three years.
9. This report seeks to highlight the main implications of the strategy for the Chief Executive's Department.

Priority Services

10. The main purpose of the Department is to provide essential corporate support services and more specifically, in relation to the Medium Term Corporate Strategy, it has the following major roles:-
 - Delivering the Local Area Agreement
 - Engagement with neighbourhoods to understand their views, needs and aspirations for all public service agencies
 - Delivering the commitment to equality
 - Supporting and promoting Leicestershire Together and Local Strategic Partnerships
 - Working with partners such as the East Midlands Regional Assembly and as part of the 6 C's (3 Cities and 3 Counties) Group.
 - Youth Justice and Safer Communities initiatives including reducing domestic violence, violent crime, wanton crime, anti-social behaviour, fear of crime and offences by prolific offenders, and also reducing harm caused by drug and alcohol misuse.
 - Implementing the Change Management Programme including the Human Resources Strategy, improved efficiency of Council services and improved public access to council services

Investment in Priority Services

11. Resources will be required to support the development of Community Forums and any other enhancements to neighbourhood engagement and other matters that are considered necessary in the light of the proposals in the White Paper on Local Government. This will need to include an examination of existing workloads and demands within the Democratic Services and Policy, Research and Information Sections.

Service Pressures

12. In addition to those described in Paragraph 10 there will be a need to respond more widely to the Government's White Paper on Local Government and the forthcoming Comprehensive Performance Assessment and other inspections.

Savings

Efficiency

13. Departmental efficiency savings of around £300,000 are required over the three years of the strategy. This is on top of the efficiency savings of £400,000 already achieved by the department over the last 2 years. This will be challenging and the department is considering options. Areas under review are:
 - (a) Increased income in Legal Services
 - (b) More effective use of Leicestershire Matters
 - (c) Identification of individual service efficiencies.

Lower priority

14. Lower priority service savings of around £180,000 over three years are being considered. The following areas have been initially identified for further review:
 - The contribution from the Youth Crime Prevention Budget to the overall budget of the Youth Work Service
 - The contributions to the funding of joint databases and information systems and associated support costs

Capital Programme

15. A provisional allocation of £1.85m has been made within the capital programme to support the implementation of the Change Management programme. The exact requirements impacting on the MTFS will be dependent on the business cases and subsequent project initiation documents approved for specific projects.

Summary

16. The overall position is as outlined in the report. Cabinet will consider the results of the scrutiny process alongside feedback from the wider public consultation exercise that is due to take place later this year.

Recommendation

17. The Commission is asked to comment on the Medium Term Financial Strategy.

Equal Opportunities implications

None specific.

Background Papers

Medium Term Financial Strategy.

Circulation under Sensitive Issues

None.

Officers to Contact

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