

SCRUTINY COMMISSION - 31ST JANUARY 2007

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

MEDIUM TERM FINANCIAL STRATEGY 2007/8 – 2009/10

Purpose

1. This report provides information on the proposed 2007/8 to 2009/10 Medium Term Financial Strategy (MTFS) with particular reference to the Chief Executive's Department.

Background

2. The County Council agreed the MTFS in February 2006. The current process involves updating and refining the strategy.
3. The Scrutiny Committees and the Commission considered the draft MTFS in the autumn and the respective comments were considered by Cabinet on the 21 November 2006.
4. Since the Autumn the County Council has received confirmation of the £0.6m (0.8%) increase in government funding for 2007/8 and has undertaken budget consultation on the MTFS through a questionnaire to its citizens' panel, the public and staff through an on-line questionnaire and two focus groups.
5. Reports such as this one are being presented to the relevant scrutiny committees and to the Scrutiny Commission. Cabinet will consider the results of the scrutiny process before recommending a budget and capital programme to the County Council meeting on the 21 February.

Financial Strategy

6. The Medium Term Financial Strategy has four key elements:
 - Restrict Council Tax increases
 - Maximise efficiency savings
 - Improve high priority services
 - Minimise reductions in lower priority services
7. Nearly 90% of the respondents to the surveys either agreed or strongly agreed with the approach outlined above. The detailed findings of the budget consultation are available as an information item provided through the Members Information Service.

8. Even though the government announced only a one year settlement pending the 2007 Comprehensive Spending Review (CSR) the strategy has been developed for the medium term (2007/8 to 2009/10). As has been the practice in previous years the revenue and capital planning processes have been integrated.
9. The key features of the proposed strategy are:
- Council tax increase of 4.25% in 2007/8 with lower increases (4%) in later years.
 - Cashable efficiency savings of at least 1½% per year (1.7% in 2007/8 with a total of £14.2m over the three year strategy).
 - Investment of £2.3m in key service improvements in 2007/8 (£10.3m, over the three years of the strategy).
 - Service reductions and increased charges of £900,000 in 2007/8 and £3.9m planned over the three years of the strategy.
10. This report seeks to highlight the main implication of the strategy for the Chief Executive's Department.

Proposed revenue budget

11. The table below summarises the proposed 2007/8 revenue budget and provisional budgets for the next two years. The proposed 2007/8 revenue budget is shown in detail in Appendix A. The 2006/07 column in Appendix A has already been adjusted to take account of transfers of £513,000 (shown in the other changes in Table 1 below). Overall the 2007/8 budget shows a 6.6% increase in net expenditure year on year.

Table One – Summary Proposed Budget 2007/8 and Provisional Budgets for 2008/9 to 2009/10

	2007/8 Budget £'000	2008/9 Budget £'000	2009/10 Budget £'000
Updated original budget	12,340	12,602	12,904
Inflation to outturn	430	402	423
Previous years growth and savings	50	0	0
Other changes	-513	0	0
Sub Total	12,307	13,004	13,327
Add proposed growth (App B)	455	70	30
Less proposed savings (App B)	-160	-170	-160
Proposed/Provisional budget at outturn prices (App A)	12,602	12,904	13,197

12. The other changes in 2007/08 mainly relate to the transfer of the financial arrangements budget from Chief Executive's general items into Central Items. This budget primarily covers the external Audit Fee and the ESPO contract.

13. The 2007/8 budget includes inflation of:

Pay @ 3%

Additional employers' pension contributions @ 1.2% of pay

Running costs 2.5%

Where inflation exceeds these assumptions specific growth is included.

14. The budgets for 2008/9 and 2009/10 are provisional and are based upon available information. They will be revisited following publication of the CSR in summer 2007. However, it is very unlikely that the savings requirement in these later years will reduce, in fact given the funding gap of £1.8m over the three years, and the likelihood of a difficult CSR, the pressure could be in the opposite direction. In these later years the strategy includes £2.5m for corporate strategy growth or to meet new unavoidable service pressures.

Growth

Service improvements

15. Additional resources of £115,000 rising to £215,000 by 2009/10 are required to meet the increased costs of community engagement. In particular, this involves the phased recruitment of policy and administrative staff to support the work of the proposed development of up to 25 Community Forums, on a phased basis.

Demand and Cost Increases

16. Additional resources of £340,000 are included to meet a variety of costs pressures relating to the Local Government White Paper, required levels of Member support and Members Allowances.
17. This amount is made up as follows:-
- £150,000 to reflect the anticipated requirements of the recent Local Government White Paper and subsequent legislation, in particular the project management of service improvements and efficiency savings required by the 'virtual unitary' model; the preparation of a new Sustainable Community Strategy and the introduction from 2008 of the next generation of Local Area Agreements; and the co-ordination of the Council's preparation for the Comprehensive Area Assessment regime.

£90,000 to meet increased demand for member support, including an anticipated increase in Scrutiny activity following the White Paper and legislation, and the provision of support to the Leader and Executive which can no longer be provided by Democratic Services in light of their workload.

£100,000 on Members Allowances to fund a combination of recent structural changes, increases in pensions contributions and anticipation of changes to the scheme arising from the review of allowances now underway.

Savings

Efficiency

18. Additional income of £50,000 is to be generated by an increase in the level of income that can be generated from charging within legal services including charges to the capital programme. Approximately 50% of the increased income arises from an increased volume of work in relation to the development of environmental agreements rather than increasing prices. The remainder relates to charges against the capital programme
19. Other efficiency savings in 2007/08 of £72,000 are being generated from a combination of measures. In particular:-
 - A rationalisation of staffing within the Department through looking at some temporary contracts and staffing structures where resignations/retirements have created the opportunity to change methods of working. (Involving removal of posts of Commissionaire and Administrative Assistant, Policy and Research) [£21,000].
 - General across the board savings on running costs (i.e. non-staffing) budgets [£31,000].
 - Savings on advertising costs across Departments through greater use of Leicestershire Matters [£20,000].

Service reductions

20. The savings on Youth Services arises from the discontinuation of a grant paid from the Youth Crime Prevention Service to the Youth Work section in Children and Young People's Services.
21. Given the overall Youth Work section budget is in the order of £4m it is expected that this reduction will have a negligible impact on the Youth Work service as a whole and the Youth Work service will continue to fund this work stream at the same level through its mainstream budget.
22. Other modest service reductions arise from reducing contributions to the funding of joint databases and information systems including the business database and the funding toolkit.
23. Due to the withdrawal of partner contributions the data4business partnership, based at County Hall, is being closed down at the end of March. As a result of this closure the County Council will making a saving of £5,000 per annum. The possible redundancy or transfer to EMDA (under TUPE arrangements) of one member of staff is under

consideration. Two other positions in the database team are currently being covered by an agency placement and a temporary member of staff.

24. A saving of £5,000 per annum has been identified in relation to the funding toolkit. The development of the toolkit involved employment of a temporary staff member whose contract has ended. The future maintenance of the toolkit will be covered by existing staff or through applications for external funding to develop the project further.

Capital Programme

25. A summary of the proposed Capital Programme is set out in Table two below. The detailed programme is set out in Appendix C. The capital programme is funded by a combination of capital receipts, borrowing and external grants.

Table Two – Summary Capital Programme

Project	2007/8 £'000	2008/9 £'000	2009/10 £'000
Protecting & Enhancing Rural Leicestershire	100	100	100
Central Print – Colour Print Press	400		
Total	500	100	100

26. The Chief Executive’s Department capital programme is relatively modest. There is £100,000 in each of the three years for Protecting and Enhancing Rural Leicestershire. This acts as a pool of money to support local projects around the County and is allocated on the basis of bids.
27. The other aspect of the programme is the investment by Central Print in a new Colour Print press. This will increase the capability of the section, allowing them to take on more work that is currently done by external providers. The additional income is anticipated to exceed the capital financing costs of this investment.

Change Management

28. Over the initial five year period of the Corporate Change Management programme (up to 2010/11), the total investment in services is forecast to be £18m, including nearly £8m for the Customer First programme which aims to improve the current provision and accessibility of customer services. In addition to service improvements, based on current projections, the Change Management Programme is also expected to generate cumulative efficiencies of £19m over the same period. Apart from Customer First, the main projects within the programme are Organisation Efficiency and People & Performance.
29. The Change Management budget for 2007/08 is shown separately from the main Chief Executive’s Department budget. Appendix A includes

the provisional allocation of resources that was made for 2007/08 at the time of the 2006/07 budget setting process.

30. In terms of capital investment, £2m of resources already allocated were intended to cover the capital investment costs of the programme in 2006/07 and 2007/08 when taken alongside other existing capital allocations set aside for corporate projects such as e-procurement and the former BABS, now Customer First Programme. This is still expected to be sufficient.
31. As the Corporate Change Programme is project driven, revenue and capital expenditure will often fall across financial years as this is the nature of project delivery. Therefore the years in which the expected costs of specific projects will fall will vary as the timetable for project delivery is developed.

Recommendation

32. Members are asked to consider the report and any response they may wish to make to the Cabinet and/or County Council.

Equal opportunities implications

33. There are no discernable equal opportunity implications as a result of the proposed MTFS. All capital projects undergo appropriate planning to ensure that the needs of all users are taken into account. This will include the intellectual as well as the physical access and cover both services provided as well as buildings they are provided from.

Background papers

MTFS – Cabinet 11th January 2007

Circulation under sensitive issues

None

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Appendices

Appendix A – Revenue budget 2007/8
Appendix B – Growth and Savings 2007/8 to 2009/10
Appendix C – Capital Programme 2007/8 to 2009/10