

SCRUTINY COMMISSION
5 FEBRUARY 2008

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

MEDIUM TERM FINANCIAL STRATEGY 2008/9 – 2010/11
- CHIEF EXECUTIVE'S DEPARTMENT

Purpose

1. This report provides information on the proposed 2008/9 to 2010/11 Medium Term Financial Strategy (MTFS).

Background

2. The County Council agreed the MTFS in February 2007. The current process involves updating and developing the strategy. The draft MTFS was approved by the Cabinet on 10 January for consideration in the scrutiny process and wider consultation.
3. Reports such as this were presented to the relevant scrutiny committees. Cabinet will consider the results of the scrutiny process before recommending a budget and capital programme to the County Council on the 20 February.

Financial Strategy

4. The Medium Term Financial Strategy has four key elements:
 - Reducing council tax increases
(3.9% in 2008/9 and 3.5% in 2009/10 and 2010/11).
 - Retaining agreed savings
 - Incorporating challenging efficiency targets which will be hard to achieve and require difficult decisions (2% in 2008/9, 3% in 2009/10 and 2010/11)
 - Targeting resources for service improvement particularly via the LAA.

Resources

5. Following the settlement the position is as follows:-
- (a) The formula grant has increased over the 3 year period (5.0%, 4.3%, 4.3%).
 - (b) There is a separate allocation of specific grants which have been grouped together in the Area Based Grant. Most of these grants are at the level anticipated.
 - (c) Account has been taken of the (Council Tax) Collection Fund deficit. The taxbase is in line with expectations.
6. This report seeks to highlight the main implications of the strategy for the Chief Executive's Department.

Proposed revenue budget

7. The table below summarises the proposed 2008/9 revenue budget and provisional budgets for the next two years. The proposed 2008/9 revenue budget is shown in detail in Appendix A.

Table One – Summary Proposed Budget 2008/9 and Provisional Budgets for 2009/10 to 2010/11

		2008/9 Budget £'000	2009/10 Budget £'000	2010/11 Budget £'000
1	Updated original budget	12,659	9,319	10,029
2	Inflation to outturn	292	250	250
3	Previous year's growth and savings	120	30	-15
4	Other changes	-4,032	0	0
5	Sub Total	9,039	9,599	10,264
6	Add proposed growth (App B)	550	800	-850
7	Less proposed savings (App B)	-270	-370	-320
8	Proposed/Provisional budget at outturn prices (App A)	9,319	10,029	9,094

8. Variations on growth and savings approved to commence in 2007/08 or earlier years are shown in line 3 of the table above. New proposals or those agreed in the current MTFS due to start in 2008/09 or later years are shown in lines 6 and 7.

Inflation

9. The 2008/9 budget includes inflation of:
- Pay @ 2.5%
 - Additional employer's pension contribution @ 1.2% of pay
 - Running costs @ 2.5%
 - Income @ 2.7%

10. Where inflation exceeds these assumptions specific growth is included.
11. The budgets for 2009/10 and 2010/11 are provisional.

Previous Year's Growth & Savings

12. The total of £120,000 is made up of three elements. The first relates to the introduction of political assistants. The cost in 2007/08 was funded from a previous year's underspend. Therefore the cost of £80,000 now needs to be included in the 2008/09 budget. The second relates to further growth of £70,000 required to fund a phased recruitment of additional policy and administrative staff to support the development of community forums. This is then offset by the third element which is the fall out of time limited growth included in the 2007/08 budget of £30,000 in total. This was for the sustainable development planning initiative and consultation measures for the business sector.
13. The additional £30,000 growth in 2009/10 relates to a further post in Democratic Services to support the development of community forums.

Other Changes

14. The other changes relate to a number of budgets transferred out of the Department. These include HR, Customer Services and Information Management which are now within Corporate Resources. Also the Members' expenses and support budgets have been transferred into Central Items.

Growth

Service improvements

15. The growth item of £20,000 represents an increase in the current funding by the County Council of the Local Resilience Forum. Similar percentage increases have been agreed with the other funding partners, including the City, Rutland and District Councils. The £40,000 growth item represents a short term contribution by the County Council to fund taking forward work undertaken through the secondment of a senior manager in Autumn 2007 in regard to flooding resilience.
16. An additional £95,000 is being made available on an ongoing basis for various staffing pressures within Legal Services relating to increased demands for employment work, support for issues around company formation and measures to reduce the use of external legal services in relation to child protection work.
17. An ongoing amount of £160,000 is being added to the budget for LAA implementation. This will be used to increase the leadership capacity in partner organisations (as highlighted in the IDeA Peer Review) and to increase the County Council's capacity to plan and co-ordinate improvements to towns and other places in the County.

18. An additional ongoing £75,000 is required to support the Inter-agency Community Safety Bureau (ICSB), following the withdrawal of Home Office funding for the 101 Anti Social Behaviour (ASB) helpline, which it had been hoped could have been rolled out across the whole Leicestershire Constabulary area. The ICSB provides analytical and community investigative functions as a means of improving the service response to ASB referrals across Leicestershire, Leicester and Rutland. The overall cost of the ICSB will be shared between the Police, Leicester City Council and District Councils.
19. An additional ongoing £40,000 is required to increase research and information capacity to deal with the extra demand for 'dashboard' work as a result of its use in performance reporting, e.g. via the Annual Plan.
20. The County and City Councils in the region have agreed to lead in the development of a Children and Young People theme as part of the Regional Strategy for the 2012 Olympics. Contributions from those Councils are being matched by grant-aid from Sport England. Leicestershire will be the host authority for this project and its financial contribution will be offset by income from the other Councils. Ongoing growth of £20,000 has been included to fund this.
21. Growth of £50,000 ongoing is being added to fund the Work Area Recovery project. This project will provide the County Council with immediate short-term (up to two years) temporary accommodation, within 48 hours, in the event that access to all or part of County Hall is compromised. The venue of the WAR has been identified. The initial preparatory works include provision of power and water supplies and an upgrade of the ICT links between the site and County Hall.

Demand and cost

22. One off growth of £800,000 is added in for 2009/10 to meet the costs of the County Council election in that year.

Reduced income

23. The Alcohol Harm Reduction Strategy Officer post is funded 50% by the LAA, 25% by the Police and 25% by the County Council. No provision has previously been made for the County Council's element as it was covered from elsewhere within the Youth Justice and Safer Communities budget in the current year. Therefore £10,000 growth in 2008/09 and 2009/10 is required to fund this post.
24. The Hate Incident Monitoring Project Officer post is currently funded by the LAA and the Police Authority. The £40,000 ongoing growth is required in order to allow this post to be mainstreamed.

Savings

25. As noted above the savings include items in the 2007/8 – 2009/10 MTFS which were due to start in 2008/9 or 2009/10. In these cases the approval

was given for preliminary work including consultation, necessary for achieving the savings, but these still require formal approval for the 2008/9 budget.

Efficiency

26. Cashable efficiency savings are those where the same output is produced for a lower cost. The Government efficiency targets apply to the whole budget. To achieve the required level of savings involves looking at how front line services are delivered as well as 'back office' services. This is recognised in Government guidance which acknowledges that efficiency savings could involve changing the balance between different outputs so that some are reduced or removed but replaced with others so the overall benefit to a client group is maintained. The example quoted in their guidance is the closure of a day centre with replacement by direct payments notwithstanding the possibility of an initial perceived drop in service from the closure.
27. A key area for efficiency savings is improved procurement of goods and services. These can result from negotiating lower contract prices, keeping annual increases below inflation or reducing consumption so long as it does not affect the service output.
28. In 2008/09, efficiency savings are being made in the department as a result of procurement initiatives (£80,000) the most significant being ICT hardware/PC procurement, staff restructuring (£25,000) and reductions in subscriptions (£50,000) from ceasing membership of the East Midlands LGA, but taking membership of its successor body.
29. Work is still ongoing to identify where additional savings can be realised to meet the Department's efficiency targets in subsequent years. The Government's efficiency targets rely mainly on savings being achieved in the areas of procurement and shared services. In the case of the Chief Executive's Department procurement is not a major activity and there are extremely limited opportunities for savings in either of these areas. Other opportunities for efficiency savings are therefore being pursued.

Service Reductions

30. Work is also still ongoing to identify how the Department's service reduction targets can be achieved. It is not believed that these targets can be met without major changes to the structure and organisation of the Department.
31. A project has been established to undertake a fundamental review of the Department aimed at achieving the necessary efficiency and service reduction targets and at the same time ensuring that the Department is equipped to meet the needs of the future.

Capital Programme

32. The proposed Capital Programme is set out in Table two below. It is funded by a combination of capital receipts, borrowing and external grants. Government supported borrowing or capital grants are not available to meet the costs of the Chief Executive's Department's capital projects.

Table Two – Summary Capital Programme

Project	2008/9 £'000	2009/10 £'000	2010/11 £'000
Protecting & Enhancing Rural Leicestershire	100	100	100
ICT Equipment for Parish & Town Councils	25	25	25
Total	125	125	125

33. The Departmental Capital Programme contains only two specific elements. There is £100,000 in each year relating to Protecting & 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.
34. Also there is £25,000 in each year to help provide ICT equipment for parish and town councils.

Recommendation

35. Members are asked to consider the report and any response they may wish to make to the Cabinet.

Equal opportunities implications

36. 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 from which they are provided.

Background papers

MTFS – Cabinet 10 January 2008

Circulation under sensitive issues

None

Officers to contact

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Appendices

Appendix A – Revenue budget 2008/9

Appendix B – Growth and Savings 2008/9 to 2010/11