



BUDGET AND PERFORMANCE MONITORING SCRUTINY PANEL

25TH JANUARY 2010

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

MEDIUM TERM FINANCIAL STRATEGY 2010/11 – 2013/14 CHIEF EXECUTIVE'S & CORPORATE GROWTH

Purpose

1. This report provides information on the proposed 2010/11 to 2013/14 Medium Term Financial Strategy (MTFS) as it relates to the Chief Executive's Departmental budget and corporate growth.

Background

2. The County Council agreed the current MTFS in February 2009. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2010/11 – 2013/14 was approved by the Cabinet on 12th January 2010 for consideration in the scrutiny process.
3. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees. The views of this Panel, together with the views of the two Scrutiny Committees will be reported to the Scrutiny Commission on 3rd February 2009. The Cabinet will consider the results of the scrutiny process before recommending a MTFS including a budget and capital programme for 2010/11 to the County Council on the 24th February.

Financial Strategy

4. The MTFS is set out in the report to the Cabinet on 12th January, 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 and deals with corporate growth.

Proposed revenue budget

5. The table below summarises the proposed 2010/11 revenue budget and provisional budgets for the next three years. The proposed 2010/11 revenue budget is shown in detail in Appendix A.

Table One – Summary Proposed Budget 2010/11 and Provisional Budgets for 2011/12 to 2013/14

| | 2010/11 £000 | 2011/12 £000 | 2012/13 £000 | 2013/14 £000 |
|---|-----------------|-----------------|-----------------|-----------------|
| 1. Updated original budget | 11,392 | 14,825 | 14,145 | 13,220 |
| 2. Inflation to outturn | -65 | 0 | 0 | 0 |
| 3. Previous years growth and savings (2009/10) | -884 | 0 | -45 | 0 |
| 3. Other changes | 4,802 | 0 | 0 | 0 |
| 5. Sub Total | 15,245 | 14,825 | 14,100 | 13,220 |
| 6. Add proposed growth (Appendix B) | 240 | 190 | 100 | 100 |
| 7. Less proposed savings (Appendix B) | -660 | -870 | -980 | -960 |
| Proposed/Provisional budget at outturn prices (Appendix A) | 14,825 | 14,145 | 13,220 | 12,360 |

6. Detailed budgets for 2010/11 include no increase for inflation, with overprovision for pay inflation in 2009/10 removed.
7. The figures for 2011/12, 2012/13 and 2013/14 are provisional.
8. The full year effect of growth and savings approved to commence in 2009/10 or earlier years are shown in line 3 of the above table. New proposals or those agreed in the current MTFS due to start in 2010/11 or later years are shown in lines 6 and 7.

Full Year Effect of Previous Year's Growth and Savings

9. The net effect of the previous year's growth and savings is a reduction of £884,000 on the updated original budget for 2010/11. This primarily relates to the reduction in growth for recognition and support for armed forces locally (-£70,000), place shaping in pilot areas (-£200,000), County Council elections in 2009/10 (-£500,000) and Environmental and Heritage services staffing reduction (-£119,000), which is offset by additional growth for responding to regional plans and local development framework core strategies (£100,000). The balance relates to various other minor amendments.

Other Changes

10. A number of transfers were undertaken during the last financial year, which has resulted in a net budget increase of £4,802,000 on the 2009/10 original budget. The majority of this relates to the transfer of Regulatory and Environmental Services (£4,046,000) following the cessation of the Community Services Department.
11. Other significant transfers include an increased budget following changes in the treatment of the Area Based Grant (£220,000), additional funding for the Voluntary Community Sector Hubs (£746,000) and reallocation of budget to departments following the establishment of the Creative Services Unit (-£148,000).

Growth

12. Details of growth proposals are set out in Appendix B.

Demand and cost increases

13. Provision of £60,000 is included in 2010/11 to reflect additional work in key areas including supported accommodation for elderly people, waste, child protection and employment and contracting/shared services work, which result from the Authority's change and savings programmes. (Ref. 1 Appendix B)
14. A growth proposal was put forward to enable the County Council to fulfil new duties contained in the Local Democracy, Economic Prosperity and Construction Act 2009, which the Government had indicated would involve costs estimated at £90,000 per annum. However more recently the Government has been reconsidering when this new duty should come into effect. It has concluded that, given the current economic situation, implementation of the duty should be delayed and considered as part of the next spending review. Accordingly this growth bid has been deferred until 2011/12. (Ref. 2 Appendix B)

Service Improvements

15. The Coroners Service in the south of Leicestershire is provided by Leicester City Council by means of a joint arrangement with the County Council. The basis of the cost apportionment has been challenged by the City. A growth bid of £100,000 in 2010/11 and a further £100,000 in each subsequent year to 2013/14 is proposed to pay for the requested increase in charges associated with this arrangement. (Ref. 3 Appendix B)

Reduced Income

16. The Independent Domestic Violence Advisory Service addresses the safety of victims at high risk of harm by developing and implementing safety plans for victims and their children whilst also supporting them through the court process. This service is funded primarily from Home Office and Ministry of Justice grants, which are due to cease at the end of 2009/10. In order to maintain service provision an additional budget provision of £80,000 is included in the draft budget. (Ref. 4 Appendix B)

Corporate Growth Items

17. In order to meet the County Council's contribution to free personal home care for those with the highest needs, additional funding of £1,400,000 (£2,800,000 full year) is required. The Government has stated that the local contribution is intended to be met from efficiency savings resulting from more use of home care as opposed to residential care. As this is already the County Council's current policy and practice there is little scope for additional savings. Nationally, there is concern that the Government has underestimated the cost of the initiative and the County Council therefore may be faced with an even higher bill. (Ref. 5 Appendix B)
18. The Carbon Reduction Commitment (CRC) requires organisations which consume large amounts of energy to become part of a carbon trading scheme. This affects about 45 local authorities and around 500 businesses across the UK. The CRC requires these organisations to buy allowances for carbon emissions (initially at a cost of £12 per tonne) which will be paid into a national pool. Depending on how each organisation performs in reducing their carbon emissions, they will either lose or gain

some of these costs. A provision of £750,000 has been made in 2011/12 for the estimated costs of CRC. (Ref. 6 Appendix B)

19. Provision has been made for an additional cost arising from Government's proposal to transfer responsibility for concessionary travel from the district councils. The Pre-Budget Report (PBR) indicates that savings of £180 million nationally could be made by passing administration to the upper tier authority, i.e. the County Council. As this already is the case at Leicestershire, no savings will be made and accordingly an additional £2million is expected to be required in 2011/12 to meet the likely shortfall in funding. The Government has indicated its intention to cease the specific grant and incorporate the funding into Formula Grant. There is a risk of a further loss of funding because of the distributional effect of Formula Grant, However, no provision has been made for this. (Ref. 7 Appendix B)
20. The Corporate Change Management Invest to Save programme is funded through a combination of one-off resources (Local Authority Business Growth Incentive and Local Area Agreement grants) and the base budget. These one-off resources are expected to reduce from 2010/11 onwards requiring additional revenue funding of £500,000 in order to ensure the service improvement and savings programmes are delivered. (Ref. 8 Appendix B)
21. To ensure sufficient funding in the medium / longer term for joint working on public health with the NHS a provision of £100,000 in 2010/11 rising to £200,000 in 2011/12 has been set aside. (Ref. 9 Appendix B)

Savings

22. Details of savings proposals are set out in Appendix B.

Efficiency

23. All activities of the Department have been reviewed to identify where savings can be realised. The proposals which have resulted have been incorporated into the draft budget and are detailed below.
24. Over the next few years a number of service reviews will be undertaken in order to generate savings of £20,000 in 2010/11 rising to £90,000 in 2011/12 and £330,000 in 2012/13. These will include a review of the provision of administrative support across the Department (estimated to achieve £30,000 in total), a further reduction in the contribution to the County Hall catering service, agreed as part of the 2009/10 budget process (£145,000 in total), and a review of the Youth Offending Service (estimated to achieve £155,000 in total). (Ref. 10 Appendix B)
25. Establishment controls designed to maximise savings arising from staff turnover have been introduced. Those, combined with other staffing related reviews within Legal Services, Democratic Services and Emergency Management, as well as a review of the overall Departmental management structure are expected to generate savings of £120,000 in 2010/11 rising to £160,000 in 2011/12, £230,000 in 2012/13 and £460,000 in 2013/14. (Ref. 11 Appendix B)
26. In a drive to generate efficiencies from improved partnership working, proposals have been put forward for the development of single services between partner

organisations. Initial indications suggest savings in the region of £210,000 in 2011/12 could be achieved rising to £420,000 by 2012/13. In addition, as part of a wider review of partnership performance management arrangements, the Authority's contribution towards partnership funding of the Community Safety Programme Board Core Performance Team will cease, saving £20,000 from 2011/12 onwards. (Ref. 12 Appendix B)

27. A further £160,000 potential saving in 2010/11 has been identified in relation to running costs. Key focus will be placed on reducing expenditure incurred on civic events, travel expenses, professional fees and subscriptions. The establishment of touchdown points and flexible work spaces through the Office Accommodation Strategy also eliminates the need to establish separate Emergency Management Work Area Recovery sites. In subsequent years savings from such running costs are estimated to yield £170,000 in 2011/12, £180,000 in 2012/13 and £230,000 in 2013/14. (Ref. 13 Appendix B)
28. Other projects aimed to generate efficiencies include savings on publicity related activities as a result of the communications review, increase in Legal Services income through traded services with other public sector bodies and additional income from the provision of media services to Charnwood Borough Council. It is anticipated that the savings from all these projects and others yet to be identified will amount to £100,000 in 2010/11 rising to £720,000 in 2013/14. (Ref. 14 Appendix B)
29. Savings identified in relation to Environmental Services amount to £60,000 in 2010/11 rising to £70,000 in 2011/12 and £110,000 in 2012/13. These are made up of a combination of increasing the planning income target (based on current trends) and a reduction in staffing. The increased planning application fee income is outside the control of the County Council and is dependent on the future economic conditions, particularly in the development sector. (Ref. 15 Appendix B)
30. Regulatory Services consists of Trading Standards, Coroners, Scientific Services and the Civil Registration Service. Efficiencies within these service areas are expected to generate savings of £60,000 in 2010/11 rising to £200,000 in 2011/12, £260,000 in 2012/13 and £270,000 in 2013/14. The savings will be made through reviews of Trading Standards (£50,000), Coroners (£30,000) and Scientific Services (£100,000), along with the introduction of managed vacancies and general efficiencies into the overall budget (£50,000). Registration Services will contribute £40,000 towards the efficiencies through increased charges for discretionary services. (Ref. 16 Appendix B)

Service reduction

31. Savings of £50,000 in 2010/11 rising to £100,000 in 2011/12 and £150,000 in 2012/13 will be realised through the reduction in contributions to the Voluntary and Community sector for community hub support and infrastructure. (Ref. 17 Appendix B)
32. As part of the 2009/10 budget process additional funding was allocated to the IMPACT project. The proposals include a reduction to this growth allocation of £50,000 in 2010/11 and £100,000 in 2011/12. Whilst this will mean a reduction in the number of IMPACT staff, it is expected that there will still be sufficient resources to maintain an adequate service covering all anti social behaviour hotspot areas across the County. (Ref. 18 Appendix B)

33. Savings of £10,000 in 2010/11 rising to £120,000 in 2011/12 and £210,000 from 2012/13 onwards will be made by the reduction of grants payable to external bodies. It is proposed to reduce the contribution made to the Citizens Advice Bureaux for debt advice in two stages to reflect the expected end of the current recession. The first saving will be made in 2011/12 with a £100,000 reduction in grant with a further £90,000 saving in 2012/13. An additional £20,000 saving is proposed to come from reducing the budget available to fund Historic Building Grants; equivalent to approximately 50% of the current budget. (Ref. 19 Appendix B)
34. It is proposed to reduce the staffing and operational budgets associated with both the business advice and the consumer advice services provided by Trading Standards to save £30,000 in 2010/11 rising to £90,000 the next year. Further reductions will be made in routine business inspections to save £30,000 in 2011/12 rising to £70,000 the year after. The reduction in business inspections will mean a reduction in sampling of goods and so of testing by Scientific Services. This is estimated to save a further £110,000 (£20,000 in 2011/12 before rising to £110,000 from 2012/13). (Ref. 20 Appendix B)
35. Savings of £50,000 in 2011/12, rising to £130,000 in 2012/13 and £180,000 in 2013/14 will be realised through significant reductions in the Historic and Natural Environment service area. These services include support to the statutory planning functions by way of planning advice on archaeology, ecology and building conservation as well as a variety of projects and community support. (Ref. 21 Appendix B)

Corporate Savings

36. The cessation of the Community Services Department is planned to result in savings within support services of £600,000 in 2010/11 rising to £800,000 in 2011/12. (Ref. 22 Appendix B)

Specific Grants

37. Specific grants relate primarily to the work of the Drugs and Alcohol Action Team (DAAT) and Youth Justice and Safer Communities and derive from either the Home Office, Youth Justice Board or Leicestershire and Rutland Criminal Justice Board.
38. Funding is also received for the appointment of a regional Inspire Programme Executive (£40,000 in 2010/11 only) to engage with and support community organisations in shaping projects to deliver the London 2012 Inspire Programme.
39. The grant allocations have not yet been released, however specific grants expected to be received in 2010/11 are listed in table two below. It is anticipated that the 2010/11 allocations will remain the same as the amounts received in 2009/10.

Table Two – Specific Grants

| | 2010/11 £000 |
|---|-------------------------|
| Drug intervention Programme (Home Office Grant) | 432 |
| Youth Offending Service Drug Grant (Youth Justice Board Grant) | 75 |
| Youth Offending Service (Youth Justice Board Grant) | 394 |
| Youth Offending Service Prevention Grant (Youth Justice Board Grant) | 270 |
| Integrated Resettlement Support (Youth Justice Board Grant) | 50 |
| Domestic Violence (Leicestershire & Rutland Criminal Justice Board Grant) | 38 |
| London 2012 Inspire Programme (Paymaster General The Minister / LOCOG) | 40 |
| TOTAL | 1,299 |

Capital Programme

40. A summary of the proposed Capital Programme is set out in Table three below. The detailed programme is set out in Appendix C.

Table Three – Summary Capital Programme

| Project | 2010/11 £000 |
|---|-------------------------|
| INSPIRE Leicestershire Programme | 30 |
| Vibrant Villages Programme | 30 |
| Community ICT Infrastructure | 25 |
| Market Towns and Town Centre Improvements | 50 |
| Total | 135 |

Details of Projects

41. The new INSPIRE Leicestershire programme aims to support Leicestershire's rural economy through the delivery of both the Rural Strategy and the Rural Economic Priorities as agreed by Leicestershire Rural Partnership. Projects planned include supporting shop front improvements, developing the visitor economy, increasing work and retail space in towns and rural centres, supporting the equestrian sector and helping to convert redundant rural buildings.
42. As part of the Vibrant Villages programme support will be given to post offices, village shops and community spaces to establish new services and facilities to meet local needs. The programme aims to minimise the impact of post office closures by helping remaining post offices to enhance their services, while also supporting mobile and community-run services.
43. The Community ICT Infrastructure programme supports parish councils to install and upgrade ICT equipment, enabling them to provide a more efficient and effective service. The scheme also supports communication channels between the County Council and parish councils, as well as improving parish councils' ability to communicate, consult and disseminate information electronically to their constituents.

44. The Market Towns and Town Centre Improvements scheme acts as a pool of money to match fund a number of individual schemes arising from each of the main towns and rural centres across the County. A potential project for 2010/11 is street improvements to Marlborough Square in Coalville.

Recommendation

45. Members of the Panel are asked to consider the report and any views they may wish to report to the Scrutiny Commission.

Equal Opportunities Implications

46. 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

Medium Term Financial Strategy 2010/11 – 2013/14, Report to the Cabinet - 12th January 2010.

Circulation under the Local Issues Alert Procedure

None.

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Appendices

Appendix A – Revenue budget 2010/11
Appendix B – Growth and Savings 2010/11 to 2013/14
Appendix C – Capital Programme 2010/11 to 2013/14