

Appendix 3

BUDGET AND PERFORMANCE MONITORING SCRUTINY **PANEL** **- 27 JANUARY 2011**

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2014/15

MINUTE EXTRACT

[Note :- The Panel has considered and commented on the overall position on the Medium Term Financial Strategy (MTFS) and how the MTFS relates to the budgets of the Corporate Resources Department, the Chief Executive's Department and Corporate Growth, and the Highways Transportation and Waste Management Department].

MTFS Context Setting and Overall Position

The Panel considered an oral report of the Director of Corporate Resources concerning the Medium Term Financial Strategy for the period 2011/2012 to 2014/15.

The Chairman welcomed to the meeting the Deputy Leader, Mr N. J. Rushton CC and the following Cabinet Lead Members:-

Mr J. B. Rhodes CC
Mr J. T. Orson CC
Mrs L. A. S. Pendleton CC
Mr A. M. Kershaw CC

The Director of Corporate Resources advised the Panel as follows:-

- (i) The provisional settlement had resulted in a 27% real terms reduction in funding. This reduction was in line with the MTFS projections apart from the frontloading of savings in 2011/12.
- (ii) The savings targets were challenging. The decision taken by the County Council last year in recognising the likelihood of significant savings being required had resulted in a great deal of work being done to ensure that robust plans were in place to deliver these savings. However, given the magnitude of the task, the continuing costs and demand pressures, significant risks remained, particularly in the latter part of the MTFS period.
- (iii) In recognition of the significant loss of specific grants in the CYPS budget, the Leader indicated at the meeting of the Cabinet on 19 January that £5m from the Council's reserves could be used to ease the transition of services that were currently funded by Early Intervention Grant.

- (iv) No increase in Council Tax is planned during the period of the MTFS.
- (v) Approximately 70% of the savings requirement would be met from efficiency savings. The decision of the Council last year to recognise the need for reducing the budget has meant that the Council already had in place some important efficiency programmes. Robust project management and monitoring arrangements, also established earlier by the Council, ensured that the programmes remained on target to deliver.
- (vi) Approximately £5m would be found by reducing management costs within the Authority.

In response to questions the Panel was advised as follows:-

- (vii) Inflation was recognised as a key risk and to that end an inflation provision of 3.3% had been allowed for the current year, significantly higher than a large number of other Councils. A centrally held contingency was also available to deal with, amongst other things, inflationary pressures. If necessary, and only in exceptional circumstances, would there be a call on reserves as use of reserves could provide a solution in-year but not on an ongoing basis. *[Details of cash backed reserves and movements in these reserves during the last three years is attached as Annex 1 to this note.]*
- (viii) Recognising the risks associated with the delivery of the very challenging efficiency targets, particularly in later years of the MTFS, and inflation PwC, the Council's Auditors, had been asked to undertake a risk assessment of the MTFS. The findings of this risk assessment would be reported to the Corporate Governance Committee.
- (ix) The detailed position on earmarked and non earmarked reserves would be reported to the Cabinet in February and that report would also include an assessment of the adequacy of balances and the likely movement in balances during the year and over the medium term. The proposal by the Leader to use £5 million from reserves was being looked at in the context of utilising some of the underspend in the current financial year.
- (x) The current policy of the Administration was for a freeze on Council Tax. No discussions had taken place on reducing the level of Council Tax.

RESOLVED:

- (a) That the report and information now provided be noted;
- (b) That the comments of the Panel be forwarded to the Scrutiny Commission for consideration at its meeting on 2 February 2011.

Corporate Resources Department

The Panel considered the report of Director of Corporate Resources concerning the Medium Term Financial Strategy for the period 2011/12 to 2014/15 as it related to the Corporate Resources Department. A copy of the report is filed with these minutes.

The following points arose from discussion and questions:

General

- (i) The transfers shown in table 1 and paragraph 6 related primarily to the ongoing consolidation of support service functions such as ICT, Human Resources, Communications and Finance in line with the agreed 'target operating model'. This would enable the Authority to deliver efficiencies and explore opportunities for shared service arrangements with other authorities.

Growth

- (ii) Members welcomed the growth that had been included to continue with the Supported Employment schemes run by the County Council. The Director of Corporate Resources undertook to provide details of the staff employed under this scheme. *[Details are set out in Annex 2.]*

Savings

- (iii) The majority of savings were to be achieved as efficiency savings. The saving proposals in relation to Country Parks would be achieved by a reduction in the number of rangers and encouraging the local community to play a more active role in the management and maintenance of Country parks. There were already examples of this, such as the work carried out by the Rotary Club at Beacon Hill Country Park, which clearly related to the 'Big Society' approach.
- (iv) The £35,000 saving to be achieved from Community/Rural ICT would not reduce the existing service, as it was intended to seek additional income from new partnerships with other authorities. If this additional income was not forthcoming, then development work on the ICT network might be slowed.
- (v) The increase in proportion of savings to be achieved from the review of Property Services and Internal Shared Services would not have a negative impact on service provision as much of the saving would be sought from rationalisation of management structures and administration. However, it should be noted that given the reduction in the Capital Programme there would be an impact on Property Services in later years. Details of the "smaller savings" arising from management reviews referred to in paragraph 20 of the report would be provided to members. *[Details are set out in Annex 2.]*

- (vi) The proposed savings in relation to the Forestry Service would not impact on the Council's statutory responsibilities in relation to trees overhanging highways and inspections but would accrue as the County Council would no longer be providing a service of a discretionary nature, such as that to private householders, though it would provide signposting.
- (vii) The proposed savings arising from the Shared Services arrangements with Nottingham City Council were welcomed. The Panel was advised the Councils would be exploring the potential for including additional local authorities in this arrangement. In relation to shared services generally, the Panel was advised that there were even greater opportunities and efficiencies to be had by working with local health bodies and the Police and there was a commitment to explore these.
- (viii) The proposed savings on Communications and Public Relations amounting to £850,000 were welcomed. These savings had arisen through centralisation of the communications function and the creation of a single 'gateway' to ensure a co-ordinated response. It would not affect the Council's statutory responsibilities to consult and communicate with the public.
- (ix) The proposed savings in relation to ICT (paragraph 22 of the report) would be achieved by a series of measures including:
- Management restructuring
 - Better procurement and management of external ICT providers
 - Improvements in procurement of IT equipment
 - Not undertaking developments and enhancements to systems unless a business case was made out.
- (x) The proposed savings arising from the review of Terms and Conditions would need to be managed carefully, particularly in the light of the pay freeze and reductions in the levels of staffing, and the Employment Committee would be playing a key role in progressing this. The County Council had made good progress in a number of areas and had achieved some significant savings as a result of reducing the level of sickness absence within the Council, which now compared favourably with private sector organisations.

Capital Programme

- (xi) The Panel welcomed the proposed refurbishment of the Aston Firs Travellers Site.

RESOLVED:

- (a) That the report and information now provided be noted;
- (b) That the comments of the Panel be forwarded to the Scrutiny Commission for consideration at its meeting on 2 February 2011.

Chief Executive's Department

The Panel considered the joint report of the Chief Executive and the Director of Corporate Resources concerning the Medium Term Financial Strategy for the period 2011/12 to 2014/15 as it related to the Chief Executive's Department. A copy of the report is filed with these minutes.

The following points arose from discussion and questions:

Growth

- (i) The reduction in funding requirements for work on Regional Plans and Local Development Frameworks would not have an effect on the Authority's requirements under the Localism Bill as they were known at present.
- (ii) The growth included for 'Big Society' was welcomed. In response to concerns expressed about reductions in services delivered by voluntary sector agencies, the Panel was advised that the County Council as a whole currently commission approximately £30m of direct service provision through voluntary and community organisations and that the proposed reductions in their budgets were in line those expected of County Council departments. 'Big Society' was more about communities being about to influence decisions that affect them, run services and take over facilities not primarily about VCS organisations delivering services. The growth of £500,000 would be focused on encouraging and supporting local communities in this context.
- (iii) The £335,000 included for elections was to allow for a reserve to be built up over a 4-year period. In previous budgets a growth bid of £1m had been submitted for each election year. This approach would also allow funds to be used for any by-elections that might occur during the life of the Council.

Savings

- (iv) Concern was expressed at the proposed savings of £20,000 in relation to the specialist regional scams enforcement team. In this regard it was noted that the Government had recently announced it would continue with its support for these regional teams. Cabinet Lead Member, Mr J. B. Rhodes CC, indicated that he would raise the matter with the Cabinet.
- (v) The proposed review of the County Council's contribution towards the Police Community Support Officers (PCSOs) was in response to the Government's funding arrangements and proposed introduction of locally elected Police and Crime Commissioners. It was understood that Government funding at this stage was only for a further two years. When the Police and Crime Commissioner was elected discussions would be held with him/her regarding the future of PCSOs.

- (vi) The proposed savings on Democratic Services referred mainly to staffing reductions in that team. The level of savings at paragraph 33, "Reduce Cost of Democracy", were in line with the Government's intention to reduce the cost of democracy at a national level and would be considered at the time of the next Council elections.
- (vii) With regard to the concern expressed about savings in the Youth Justice and Safer Communities area, the Panel was advised that it was intended to protect the core budget but that some additional activities to the core business might need to be reduced. There would also be some efficiency savings through a review of management and administrative arrangements.
- (viii) The concerns regarding the IMPACT project were noted. The Panel was advised that the proposed further reduction in the budget would be achieved by a reduction in 2 managerial posts which would have an impact in terms of the working relationships with partners including district and parish councils. It was intended that frontline staffing levels would be maintained. The Deputy Leader indicated that he would raise the matter with the Cabinet.
- (ix) With regard to the proposed savings in paragraphs 22 and 36, Planning, Historic and Natural Environment Services, the Panel was assured that the archaeological database would be maintained but there would be a reduction in staff to provide advice and support.

RESOLVED:

- (a) That the report and information now provided be noted;
- (b) That the comments of the Panel be forwarded to the Scrutiny Commission for consideration at its meeting on 2 February 2011 and it be noted that the Deputy Leader, Mr N. J. Rushton CC and the Cabinet Lead Member, Mr J. B. Rhodes CC, had indicated they would ask the Cabinet to review its savings proposals in relation to the following:
 - Specialist Regional Scams Enforcement Team;
 - The IMPACT project.

Environment & Transport Department

The Panel considered a joint report of the Director of Environment and Transport and the Director of Corporate Resources concerning the Medium Term Financial Strategy for the period 2011/12 to 2014/15 as it related to the Environment and Transport Department. A copy of the report is filed with these minutes.

The Chairman welcomed to the meeting the Cabinet Lead Member for Environment and Transport, Mrs L. A. S. Pendleton CC, and the Cabinet Lead Member for Waste Management, Mr A. M. Kershaw CC, who attended for this item.

Mr J. Miah CC declared a personal non-prejudicial interest in paragraph 23 and 24 of the report as the Loughborough Eastern Gateway fell within his ward.

Mr B. L. Pain CC declared a personal prejudicial interest in respect of paragraph 14.1 (S52) of the report in his capacity as a Director of a taxi company which received income from County Council contracts. He therefore left the meeting whilst members commented on this specific paragraph and during the debate relating to concessionary travel arrangements.

The following points arose from discussion and questions:

General

- (i) The revenue budget for 2011/12 had increased by an additional £6,000,000 in relation to the transfer of responsibility from District Councils to the County Council for concessionary travel.

Growth

Concessionary Travel

- (ii) The Panel was advised that the funding for concessionary travel which had been previously given to District Councils was now included in the County Council's formula grant. It was difficult to be precise as to the amount that had been transferred for this activity but the Government had indicated that they intended to top slice a proportion of the funding clawed back from districts as there would be efficiencies to be had by bringing this activity together under the County Council. The Panel was reminded that the County Council already administered the scheme on behalf of the District Councils and the savings assumed by the Government were already built into the scheme. The outturn cost was currently difficult to quantify.
- (iii) The County Council had, in line with Government advice, given notice to bus companies about reduction in the rate of reimbursement that would be forthcoming. However, it should be noted that bus companies were able to appeal this decision as well as ask for additional funding for extra

capacity.

- (iv) The County Council had undertaken consultation regarding the discretionary elements of the scheme and the outcome of the consultation would be reported to the Cabinet on 14 February. The Cabinet would need to take a view on whether or not to include these discretionary elements in the scheme. The discretionary elements of the scheme were as follows:
- Morning peak free bus travel for disabled people
 - Morning peak half fare bus travel for
 - Half fare travel on community transport
 - Rail Travel
 - Community Buses and Community Transport
 - Vouchers (taxis)
- (v) A view was expressed that the understanding of District Councils was that £5.4m had been clawed back by Government as a result of the function being removed from these authorities, but it was difficult to be precise as this had been dealt with through the formula funding calculation. A reserve of £2m had been set aside by the County Council in 2010/11 to cover the eventuality that the scheme be introduced early; this had not taken place.
- (vi) In view of the above, it was difficult to be precise as to the cost of operating the discretionary scheme. The estimated cost of operating the scheme was £5.7m for the statutory element and £0.5m for the discretionary. The Director indicated that he would provide a detailed briefing note on the costs for members and for the Scrutiny Commission. *[Details are set out in Annex 3].*

Savings

- (vii) S52 – The Director advised the Panel that there had been an 18% reduction achieved in the recent round of e-tendering and as a result he was confident that the assumed savings would be achieved.
- (viii) S54 – The Panel was advised that a reorganisation of the Department Management Structure was currently taking place. Also over the last 18 months there had been tighter control of vacancy management and as a result there were currently 50 vacant posts which would reduce the need for compulsory redundancies. A proportion of the savings would also be achieved through a reduction in management and administration. The Department was committed to not compromising issues of safety and winter maintenance.
- (ix) S65 – The Panel was advised that the roll out of the dimming switch off and part night lighting was being undertaken after consultation with local communities and consultation was the key to its success and acceptance. A number of other authorities who had proceeded with

dimming and switching off without consultation with local communities had found a degree of resistance.

- (x) S66 - With regard to the reduced level of highway maintenance proposed, the Panel was advised that the condition of roads in Leicestershire was higher than that of other authorities due to adequate levels of investment and good asset management. The Panel was reminded that in the current year, £1.5m had been spent in repairing damage caused by the severe winter. The position would be monitored and appropriate representations would be made to the Cabinet and Government about the need to recognise the additional cost of winter damage.
- (xi) S67 – The Panel was advised that the savings on environmental maintenance assumed in 2011/12 had not been fully achieved because of the lead-in times required to amend contracts and policy. This had now been done and the assumed savings should be achieved.
- (xii) S70 – With regard to the element relating to gully cleansing, the Panel was advised that new software would be introduced in the gully emptying equipment which would enable the Authority to identify those gullies that would require emptying on a more regular basis. As a number of gullies were also self cleaning the savings proposed would be achieved by a better targeting of this service.
- (xiii) S75 – The current provision by the County Council of 95% of the County being linked to an hourly bus service network was generous. Work would be undertaken to identify routes which were not heavily used and alternatives considered. Alternatives such as Dial a Ride had proved popular and it was intended to roll these out more widely where needed.
- (xiv) S76 – The proposed increase in charges for home to school transport applied to both 16+ transport and denominational transport. The proposed annual charge of £400 meant that the County Council would still be subsidising this transport.
- (xv) S80 – The efficiencies were being achieved as a result of a new contract to manage handling electrical and electronic waste which provided a higher income to the Council for recycling this waste. All contracts provided an audit trail for the final disposal of the waste which had to be signed off by the County Council.
- (xvi) S84 – With regard to the concerns expressed regarding the training element of the Stepping Stones budget, members noted that there might be opportunities for this to be delivered by funding through growth included in the budget for Big Society.
- (xvii) The Director clarified that reductions in staffing levels were not the reason for the review of the North Loughborough Car Parking Scheme. The Panel was advised that the scheme was being reviewed in the context of the new priorities within LTP3. Unlike LTP2 which was

focused on schemes, LTP3 was postulating different approaches to managing highway network. It was hoped that this scheme would be progressed once the review had been completed and judged to be in compliance with LTP3.

Capital Programme

- (xviii) The £200,000 included for the design work on the Loughborough town centre scheme was in anticipation of additional information that would be required by the Department of Transport when assessing the business case for progressing this scheme; a response would be expected from the Department of Transport in autumn 2011.
- (xix) The £1m investment in replacing street lighting columns would include replacement of light bulbs with more energy efficient bulbs. The department was still evaluating the effectiveness and efficiency of new LED bulbs.

RESOLVED:

- (a) That the report and the information now provided be noted;
- (b) That the comments of the Panel be forwarded to the Scrutiny Commission for consideration at its meeting on 1 February 2011.