



SCRUTINY COMMISSION - 4 SEPTEMBER 2013

REPORT BY THE DIRECTOR OF CORPORATE RESOURCES

**2013/14 MEDIUM TERM FINANCIAL STRATEGY
MONITORING (PERIOD 4)**

Purpose of Report

1. To provide members with an update on the 2013/14 revenue budget and capital programme monitoring position. The report includes recommendations on the use of the projected revenue underspend to fund “invest to save” initiatives and sets out a revised capital programme that will be submitted to Cabinet on 13th September for approval. The report also includes a review of the deliverability of schemes within the capital programme.

Policy Framework and Previous Decisions

2. The 2013/14 revenue budget and the capital programme for 2013/14 to 2016/17 were approved by the County Council at its budget meeting on 20 February 2013 as part of the Medium Term Financial Strategy (MTFS). The MTFS is monitored throughout the financial year.

Background

3. The latest revenue budget monitoring exercise shows a net projected underspend of £7.7m, as summarised in Appendix 1. Details of major variances are set out in Appendix 2 and in paragraphs 16 to 27 below.
4. The latest capital programme monitoring exercise included a review of the deliverability of the programme.
5. Paragraph 28 below sets out proposals for new invest to save initiatives which it is proposed are funded from the projected revenue budget net underspend.
6. The monitoring information contained within this report is based on the pattern of revenue and capital expenditure and income for the first four months of this financial year. As a result the forecasts should be regarded as initial indications.

REVENUE BUDGET

7. The results of the latest 2013/14 revenue budget monitoring exercise are summarised in Appendix 1.

Children and Young People's Service

Dedicated Schools Grant

8. A net underspend of around £0.5m is currently forecast, mainly due to lower than expected demand for the new Two Year Old Nursery Education Funding project. This net underspend will not impact on the General County Fund as under the terms and conditions of Dedicated Schools Grant any underspend must be allocated to the following year's Schools Budget.

Local Authority Budget

9. A net underspend of £0.58m (1.0%) is forecast, mainly due to the early identification of savings, offset by overspends, particularly regarding legal costs in children's social care.

Adults and Communities

10. The Department are experiencing some financial pressures relating to increasing demographic pressures whilst delivering the £12.4m targeted level of savings in the current year, resulting in a projected overspend in the region of £3m for 2013/14.
11. £6.5m of the departmental efficiency programme relates to the Effective Support efficiency project which reviews client needs and considers alternative sources of support. A shortfall of £3.6m is currently projected arising from a smaller backlog of outstanding reviews than originally anticipated reducing the scope to make savings as well as lower savings achieved per person. £2.4m of health funding has been agreed for this year to mitigate some of the shortfall in savings and alternative savings opportunities are being investigated to offset the balance. Details of the use of the health funding transfer are given in Appendix 3.

Environment and Transportation

12. The Department is forecast to underspend by a net £0.1m (0.1%). An overspend on highways maintenance budgets is offset by net underspends on transport and waste budgets.

Chief Executives

13. An underspend of £0.1m (0.7%) is forecast, mainly relating to staff vacancies and an underspend on growth allocated for the establishment and support of the Police and Crime Panel.

Corporate Resources

14. An underspend of £0.6m (1.8%) is forecast, mainly due to staff vacancies and increased income.

Public Health

15. The service is currently forecast to be on budget. The budget is shown net nil as it is funded entirely from specific grant.

Contingencies

16. The 2013/14 budget includes a £1.2m contribution for investment in Loughborough Science Park. At this stage the contribution is forecast to be made in the current year, although there is a possibility that it may slip to 2014/15, in which case the sum will be carried forward.
17. A contingency of £4.5m was made against delays in the achievement of savings. No major problems have been identified at this stage, other than on the Effective Support saving (see paragraph 11 above).
18. A provision of £3m was made for severance / invest to save issues. If the requirement is less during the year, the balance will be transferred to the Invest to Save / Severance earmarked fund to meet costs in future years.
19. A contingency of £1.2m was made for council tax collection deficits following the implementation of the Government reforms on the Localisation of Council Tax Support (LCTS). The situation is being monitored on a monthly basis in liaison with the District Councils and at this relatively early stage in the year there does not appear to be any significant risks to collection fund balances. Discussions are taking place with the District Councils regarding a possible contract with an external company to undertake checks on Single Person Discounts and the County Council will support that work with a financial contribution of around £50,000 which could be funded from this contingency. Given the relatively early stage in the year, the contingency is forecast to be spent but the position will be monitored as the year progresses.
20. A contingency of £9.0m was made for inflation, of which £0.6m has been allocated regarding street lighting energy and winter maintenance salt inflation. Pressures are expected on residential care charge increases, highways maintenance, passenger transport, buildings maintenance, waste management and energy budgets. The contingency included £3m for general pay inflation based on an assumed increase of 2%. A pay increase of 1% has been agreed, leading to an underspend of around £1.5m.

Central Items

21. The original budget for the financing of capital assumed that £40m of external debt would be borrowed during the year, whereupon it would begin to earn interest. However, due to continued low interest rates and the level of internal balances it is highly unlikely that this money will now be borrowed during

2013/14. As a result an underspend of £2.5m is forecast as a consequence of not incurring interest costs on the previously expected borrowing.

22. Local Services Support Grant includes grant funding for Extended Rights to Free Travel. The Department for Education released the 2013/14 and indicative 2014/15 allocations in July 2013 (£675,400 and £494,900 respectively) and these show significant cuts from the 2012/13 level used in the original 2013/14 budget (£795,500). CYPS and E&T are checking whether the £120,100 reduction in grant can be offset by reductions in expenditure. The further decrease of £180,500 will need to be reflected in the 2014 - 2018 MTFS.
23. The County Council agreed to contribute £125,000 for additional administrative costs and £250,000 towards Discretionary Discount Funds (DDF) following changes made under the LCTS reforms. The District Councils are providing monthly monitoring information on awards made from the DDFs and at this early stage only relatively minor amounts have been granted. The situation will be kept under review as the year progresses. The LCTS schemes will need to be revised for 2014/15 as all the schemes, with the exception of Harborough, were based on the one-off transitional 8.5% cap. The County Council and other Preceptors are in dialogue with the District Councils on this issue.
24. From April 2013, the Department for Works and Pensions (DWP) transferred funding to the County Council (£1.08m) which had previously been used to provide Community Care Grants and Crisis Loan schemes. This funding is to provide short term support to families under exceptional pressure and to support individuals returning to their communities from institutional care. To meet the needs of the local community the County Council established the Leicestershire Welfare Provision (LWP). It was anticipated that additional funding would need to be allocated from County Council resources in light of the historic overspends experienced by DWP, the changes to benefits announced and the challenging economic climate. A £0.2m contingency was included in the 2013/14 revenue budget to allow excess demand to be dealt with. Based on the monitoring of the LWP, it is unlikely that the £0.2m contingency will be required and it is therefore projected to be unspent.
25. The County Council will receive £1.7m New Homes Bonus Grant (NHBG) in 2013/14, of which £0.5m will be used within the Chief Executive's budget to provide support for the provision of new homes. The balance of £1.2m funds part of the £4m revenue contribution to the funding of capital and will be allocated to extra care schemes. NHBG is forecast to increase to around £3m in later years, although the Government is consulting on proposals to top-slice 35% of the grant from 2015/16 to redistribute money to Local Economic Partnerships. An alternative proposal involves a 100% top-slice from County Councils and a 19% top-slice from Districts.
26. The 2013/14 budget includes a forecast of £5.3m for Education Services Grant. The grant is subject to the level of Academy conversions during the financial year and the latest estimate of the grant to be received by the County Council is around £5.55m.

Business Rates

27. The Government introduced the Business Rates Retention system from April 2013. The County Council is liaising with the District Councils, Leicester City Council and Rutland County Council and monthly monitoring is being undertaken to assess the position of the Leicester and Leicestershire Pool. At this early stage, the County Council's "local share" is forecast to be around £0.4m higher than the "baseline" amount reflected in the original budget. The Pool is projected to generate an additional £0.9m for the sub region in 2013/14, which is higher than the £0.7m projected in January 2013 when the Pool was formally established. There are risks and uncertainties around the projections and it is possible the surplus could be higher.

Revenue Summary / Invest To Save Proposals

28. A net revenue underspend of £7.7m has been identified. The approach to underspends during the period of austerity has been to use funds to reduce liabilities (and associated future costs), fund Invest to Save projects and provide resources for one-off investment for Council priorities. It will be proposed to Cabinet to continue this approach and that the underspend be used to fund the following:
- Potential contribution to the City of Culture if the bid is successful.
 - Potential contribution to Bradgate Part Trust to purchase some additional land (up to £60,000).
 - Potential Highways projects. However, further work is required to assess the benefits.
 - The balance of any underspend at the year end is used towards repayment of pension liabilities on the pension fund. Subject to technical accounting issues this will reduce ongoing employer contributions. If this principle is adopted work will be undertaken as part of the actuarial valuation to assess the value for money of such an approach. If this is not possible then to use the balance of any underspend to repay debt.

CAPITAL PROGRAMME

29. As part of the period 4 monitoring exercise a review of the deliverability of the capital programme was undertaken, shown in Appendix 4. Where projects are unable to be delivered in 2013/14 these have been reprogrammed to 2014/15 within the revised 4 year capital programme.
30. The revised capital programme, including changes in funding that have arisen since the MTFs was approved in February, will be presented to Cabinet on 13th September for approval.
31. The revised capital programme is shown below in summary and in detail in Appendix 4 including a risk rating for each scheme in Appendix 6. The detailed list of funding changes is shown in Appendix 5.

2013/14	Original Budget + Slippage from 2012/13 £m	Changes in Funding 2013/14 £m	Schemes Reprogrammed to 2014/15 £m	Revised Budget £m	Forecast £m
CYPS*	22.0	-3.0	-1.6	17.4	17.4
Adults and Communities	2.1	0.3	0.0	2.4	2.4
E&T - Transportation	31.8	6.0	-0.5	37.3	37.3
E&T - Waste Management	3.9	0.0	0.0	3.9	3.9
Chief Executive's	0.4	0.3	-0.1	0.6	0.6
Corporate Resources	3.8	-0.1	-0.7	3.0	3.0
Corporate Programme	1.5	0.0	-0.3	1.2	1.2
Total	65.5	3.5	-3.2	65.8	65.8

*Excludes CYPS – Devolved Formula Capital (DFC)

32. The main changes in funding and schemes reprogrammed are detailed below.

Children and Young People's Service

Changes in Funding (-£3.0m)

33. On the 1st March 2013 the Education Funding Agency (EFA) released the delayed capital settlement. The settlement was £3m lower than the estimates used in the original capital programme for 2013/14. The EFA had changed the basis upon which the calculations were made compared with previous years which could not have been predicted. The revised allocations are:
- Basic Need 2013/14 Capital Grant, £3.45m. This is £2.15m lower than the £5.6m estimated in the original MTFS. The actual grant was £6.9m for 2013/14 and 2014/15 which has been profiled equally across both years.
 - Maintenance 2013/14 Capital Grant, £5.4m. This is £0.8m lower than the £6.2m estimated in the original MTFS. No allocation has yet been announced for 2014/15.
34. Following the EFA announcement a review of the priority of schemes within the CYPS capital programme has been carried out resulting in the following proposals within the revised capital programme. The Strategic Maintenance Programme will be reduced by £0.3m and the School Accommodation Programme by £2.7m. Within the school accommodation programme 4 schemes where pupil growth numbers are forecast to be in later years, will now be reprogrammed from 2013/14 to 2014/15. These are:

Burbage Infants	new modular building
Ibstock Infants	replacement of 3 mobile classrooms with a permanent building with 4 classrooms
Quorn St Bartholomew's	permanent building with 2 classrooms and a group room
Ratby Primary	permanent building with 3 classrooms and a group room

35. The EFA announcement also included a reduction to the Schools Devolved Formula Capital allocation from £1.2m included in the original MTFS to £1.1m. This is due to the transfer of pupils to Academy schools. DFC is allocated to schools to spend.
36. The 2013/14 capital programme includes £0.3m for the development of SEN provision. This was allocated to the development of a 25 place school for children with autism, however this has proved financially unviable. Other areas of SEN demand have been considered but there are no immediate priorities for the capital identified. As a result the funding has been transferred to the school accommodation programme to offset the reduction in grant funding mentioned earlier.

Schemes Reprogrammed (-£1.6m)

37. School accommodation programme £1.5m. The revised programme totals £6.7m. The late notification of the CYPS capital allocations from the DfE have delayed the start of works resulting in a risk that the full programme will not be delivered in the current financial year. The programme includes 13 main projects, and small programmes of works. This includes, demolitions, ofsted safeguarding and planning, schools access initiative and advanced design works.
38. £133,000 of the £200,000 scheme to build a replacement playing field at Croft Primary School has been reprogrammed to 2014/15. Work to obtain lease permission, temporary access and planning permission is taking longer than anticipated with the added complication that work cannot take place while the school is open. The latest estimate is once permissions are obtained ground levelling and drainage can take place with seeding of the field in spring 2014 for use in September 2014.

Adults and Communities

Changes in Funding (+£265,000)

39. The revised programme includes refurbishment and improvement works at Shepshed Library (£66,000) and Wigston Library (£192,000) as part of the closer integration of library and adult services. The libraries will benefit from an improved layout and more efficient use of space and the ability to generate additional external income from Adult Learning courses. Both projects are on target to complete by September 2013.

Environment and Transportation – Transportation Programme

Changes in Funding (£6.05m)

40. A50/A46 junction improvements, £2.3m. Project to improve safety and relieve congestion; increase and widen lanes, provide a dedicated left turn lane and traffic signals on the busiest arms of the roundabout. £1.0m additional funding awarded from the Growth Point Fund Growing Places Fund via the Local Enterprise Partnership, and £1.3m from section 106 developer funds.
41. MTFS revenue contributions, £3m. Includes £1m from 2012/13 MTFS outturn underspend, £1.5m allocated in the 2013/14 MTFS and the capitalisation of works previously funded from revenue funding, £0.5m. The funding has been allocated to:
 - Transport Asset Management (TAM) Programme, Unclassified Roads, £1.1m
 - TAM, Non Principal classified roads, £1.1m
 - TAM, Principal Roads, £0.4m
 - TAM, Bridges Programme, £0.2m
 - Braunstone Asda Roundabout major scheme, £0.2m (nb. total scheme £2.9m. Other funding; £2.5m from Integrated Transport programme and £0.2m section 106 funding).
42. Sustainable Travel Group Vehicle replacement, (+£0.48m). Acquisition of new vehicles funded from E&T vehicle renewals fund.
43. Gulley Emptiers, £0.34m. Balance of £0.5m allocated in 2012/13 from the 2011/12 MTFS underspend.
44. Loughborough Town Centre, £0.32m. Rephasing of DfT capital grant to match the latest forecast of work on site.
45. Highways Depot Review (invest to save) (£0.3m increased funding from earmarked E&T funds & £0.6m transferred from unallocated programme). Project commenced in 2012/13. As the project has proceeded additional works are necessary to ensure environmental compliance, improve security and various other improvements across the remaining depots.
46. Traffic Signs lighting (invest to save). Reduction of £1.06m. The total project was £1.2m. This includes £1.056m to replace traffic signs illumination with LEDs. However following a DfT announcement in April 2013 of a radical revision of Traffic Signs Regulations and General Directions which may reduce the need to light all signs, the project has been put on hold. Depending on the outcome of the DfT review the scheme may be resubmitted as part of the 2014 MTFS. The balance on the project of £176,000 to de-illuminate signs is continuing as planned.

Schemes Reprogrammed (-£0.5m)

47. Integrated transport schemes – active and sustainable travel block. £0.5m of the £1.44m programme will be reprogrammed to 2014/15. The programme, which contains a number of small schemes, has been identified. However at this stage the start dates are still being finalised, resulting in a likely risk that the programme will not be fully complete by the year end.

Other

48. Local Pinch Point Fund – M1 Bridge, Lubbethorpe, £8.7m. The new Lubbethorpe sustainable urban extension requires a bridge to be built over the M1 north of junction 21 in order to access the site. The County Council has been awarded £5m grant from the DfT, Local Pinch Point Fund with the remainder of the funding, £3.7m, coming from legal agreements, section 38, 106 and 278 with developers of the site. The detailed plans are currently being drawn up with an outline start date for the bridge of 1 April 2014 with completion in August 2015. An update will be provided in the next monthly monitoring report.

Environment and Transportation – Waste Management ProgrammeChanges in Funding (nil impact)

49. Kibworth Recycling and Household Waste Site (RHWS), £348,000. It is unlikely that construction work on the redevelopment of Kibworth RHWS will commence in 2013/14 as originally planned and therefore it will be proposed to Cabinet in September that the scheme is removed from the capital programme for the current year pending confirmation of the requirements of the scheme (note £50k remaining relates to surveys and investigation works). The funding released, £348,000 from the Waste Strategy Implementation fund, will be allocated to other waste management schemes in 2013/14, including:
- Whetstone Bulking and Transfer Station, increase of £233,000. To provide gully waste treatment facilities.
 - Loughborough Transfer Station, £46,000
 - Other RHWS Sites including, Lount, and the General RHWS improvement Programme, total £69,000

Chief ExecutivesChanges in Funding (£294,000)

50. The main change relates to the inclusion into the programme of a new Community Centre in Kegworth, £300,000, agreed by Cabinet 6 March 2013. The project is funded from earmarked capital receipts to be realised after the sale of the existing centre.

Schemes Reprogrammed (-£75,000)

51. Shire Village Hall and Community Centre Grants, part reprogrammed £50,000 to 2014/15. The programme allows projects one year from the date of allocation to complete before payment is released. Currently £19,000 has been allocated.
52. Better Places Grants, part reprogrammed £25,000 to 2014/15. The programme has been fully committed, however as payments are subject to completion of schemes it is recognised that an element of funding will not be required until 2014/15.

Corporate ResourcesChanges in Funding (-£64,000)

53. Comprises new ICT capital expenditure of £74,000 to provide ICT hardware for the replacement SSIS system (Integrated Adults System), funded from the ICT renewals revenue fund, and £138,000 reduction in funding across 4 schemes that have been completed.

Schemes Reprogrammed (-£722,000)

54. Catherine Dalley House, Bungalow, £150,000. Funding to provide replacement accommodation for tenant. The project has been deferred to 2014/15 whilst negotiations continue with the tenant.
55. Demolition of Vacant Buildings, £150,000. Detailed proposals have been formulated and a tendering exercise is underway to demolish one site which is scheduled to complete by the end of March 2014. Based on the latest estimates, £150,000 (of total £0.5m) will not be needed until 2014/15 for work to demolish other surplus sites.
56. Corporate ICT Programme, £50,000. The original 2013/14 programme includes £50,000 for initial costs associated with the new WAN to be replaced in 2014/15. However now that the procurement of the WAN is almost complete, the profiling of costs are clearer, meaning that this funding will not be required until 2014/15.
57. ICT on-line services project £347,000. The on-line services project has undertaken a fundamental review of the Council's approach to website delivery and the increased availability of citizen self-service. The results of that review indicate the need for a radically different approach to web service delivery. Procurement of the various components of the future solution will start in the next two months and will take up to six months. The schemes affected are:
 - Citizens self-service technology, £137,000
 - On-line technology refresh, £150,000 (of a total budget of £250,000)
 - Oracle policy automation tools, £60,000

58. Property Management Information System, £25,000 (of total £50,000). Based on the latest estimate of payments. The procurement process is underway , however the implementation timetable is extremely tight (1 April 2014) and it is likely that the 2nd instalment will not be required until 2014/15.

Other Issues

59. Industrial Properties improvements, £0.42m. Options are being considered to fund urgent works to enable the full occupation of industrial properties that are currently, or expected to become, unusable. This will be included in the programme at a future date.

Corporate Programme

Schemes Reprogrammed (-£328,000)

60. Funding originally programmed in 2013/14 towards the refurbishment of the former fire service headquarters has been reprogrammed to 2014/15. This is due to a delay in the acquisition of the property that is now anticipated to complete in December 2013. The fire service has confirmed that they intend to move the Fire Control to Southern Fire Station by November 2013. The purchase of the building will then take place in December 2013.

Capital Receipts

61. The forecast level of general capital receipts is £14.0m compared with a revised requirement of £7.9m after removing the E&T traffic signs lighting scheme.
62. A review is being undertaken to consider options to use the additional receipts for invest to save proposals that will generate on going revenue savings.

Capital Summary

63. The capital programme has been revised for changes in funding and reprogramming of schemes to 2014/15 where they are unable to be delivered in the current financial year.

Recommendation

64. The Scrutiny Commission is asked to note the contents of this report.

Background Papers

Report to County Council – 20 February 2013 – Medium Term Financial Strategy 2013/14 – 2016/17

Circulation under the Local Issues Alert Procedure

None.

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Appendices

Appendix 1 – Budget Monitoring Statement

Appendix 2 - Revenue Budget – forecast main variances

Appendix 3 – Use of Social Care Transfer funding in 2013/14

Appendix 4 – Revised Capital Programme

Appendix 5 – Capital Programme, Changes in Funding

Appendix 6 - Capital Programme Risk Rating

Equal Opportunities Implications

No direct implications.