



SCRUTINY COMMISSION - 29 JANUARY 2014

MEDIUM TERM FINANCIAL STRATEGY 2014/15 – 2017/18 - CHIEF EXECUTIVE'S DEPARTMENT

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

Purpose

1. The purpose of this report is to:
 - a) provide information on the proposed 2014/15 to 2017/18 Medium Term Financial Strategy (MTFS) as it relates to the Chief Executive's Department; and
 - b) ask the Commission to consider any issues as part of the consultation process and any response it may wish to make.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2013. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2014/15 – 2017/18 was considered by the Cabinet at its meeting on 15 January 2014.

Background

3. Reports such as this have been presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process before recommending a MTFS including a budget and capital programme for 2014/15 to the meeting of the County Council on the 19 February 2014.

Financial Strategy

4. The MTFS is set out in the report to the meeting of the Cabinet on 15 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.

Service Transformation

5. A new Target Operating Model (TOM) for the County Council is being developed to enable the transformation and delivery of services through the significant financial challenges being faced. This envisages:
 - A focus on prevention and early intervention to reduce demand for services
 - A focus on the customer/service user

- Integration that reflects both an emphasis on the services provided by County Council, rather than by each department, and the integration and co-ordination of services across partner organisations.
 - More community involvement in the delivery of appropriate services
 - A streamlined, concentrated and coordinated support service function
6. Whilst all of the features of the new TOM will be relevant to the way that the Chief Executive's Department operates in the future, its adoption also provides an opportunity to review how support services across the County Council are to be delivered.
7. The savings approach to the front line services delivered by the Department is in line with the results of the public consultation. Grants to individuals, funding for business and agencies all featured in the residents' top ten areas to reduce. This has been reflected by an average reduction of 47%, the highest in the Department. The reduction for Trading Standards is 14% reflecting that residents' preference was a low level of reduction. The other significant front line services provided by the Department are Planning and Historic and Natural Environment and the Youth Offending Service, the proposed reductions, these being 20% and 23% respectively, reflecting their midway position in the residents' survey.

Proposed Revenue Budget

8. The table below summarises the proposed 2014/15 revenue budget and provisional budgets for the next three years. The proposed 2014/15 revenue budget is shown in detail in Appendix A.

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Updated original budget	15,196	12,884	10,944	10,364
Other changes	110	110	110	110
Budget Transfers and Adjustments	-992	0	0	0
Sub Total	14,314	12,994	11,054	10,474
Add proposed growth (Appendix B)	0			
Less proposed savings (Appendix B)	-1,430	-2,050	-690	-520
Proposed/Provisional budget (Appendix A)	12,884	10,944	10,364	9,954

9. Detailed budgets for 2014/15 have been compiled on the basis of no pay or price inflation, a central contingency will be held which will be allocated to services as necessary. The budget also includes provision for an increase in the employer's contribution to the Local Government Pension Scheme in 2014/15 and the following three years based upon the triennial actuarial revaluation of the pension fund.
10. The proposed net budget for 2014/15 totals £12.9m is set out below:

	£000
Employees	13,447
Running Costs	8,242
Gross Costs	21,689
Income	-8,805
Net Budget	12,884

Other Changes and Transfers

11. A number of budget transfers (-£1.0m) were effected through the 2013/14 financial year that are now adjusted for in the updated original budget. These occur as a result of budget transfers enacted during the year arising from:
 - Transfer out of the Department (-£1.2m) for the County Sports (and Physical Activity) Partnership, the Substance Misuse Strategic Team and the County Council's public health budget. These were transferred to the new Public Health Department.
 - The nationally agreed staff pay award for 2013/14 (£0.1m)
 - Transfer in of the responsibility of two community centres (£0.1m) from the Children and Families Service.
12. The following transfers are being made to the Children and Families Service: the Supporting Leicestershire Families Service, the Youth Offending Service, and the Community Safety Team. To maintain consistency through the MTFS review process this change of department has not been reflected in the financial information.
13. Savings have been categorised in the appendices under the following classification;
 - * item unchanged from previous MTFS
 - ** item included in the previous MTFS, but amendments have been made
 - No stars - new item
14. This star rating is included in the descriptions set out for savings below.

Savings

15. Details of proposed savings are set out in Appendix B and total £4.7m. These are detailed in the following paragraphs.

Efficiency Savings

16. **** S65 Review of Management Structure; £70,000 in 2017/18.**
A review of management structures across the Department is on-going.
17. **** S66 Democratic Services, Administration and Civic support review; £110,000 in 2014/15 rising to £210,000 in 2015/16 and to £240,000 in 2017/18.**
The largest contributor to savings is from staffing (£160,000), enabled by a combination of a restructure of the function and absorption of funded work that has transferred into the section. Reductions have been applied to the subscriptions and members' expenses budgets (£60,000) to reflect the latest level of demand. The final element of savings (£20,000) is for a reduction in the level of hospitality and civic allowances.
18. **** S67 Legal Services review; £100,000 in 2014/15 rising to £170,000 in 2015/16, and to £210,000 in 2016/17.**
Additional income (£120,000) is expected to be secured from a range of sources, including academies, developers and Public Health. Staff related savings will also contribute (£90,000), enabled by a combination of a restructure and absorption of funded work that has transferred into the service.

19. ** S68 Development of Coroners and Registration services; £30,000 in 2014/15 rising to £90,000 in 2015/16, to £150,000 in 2016/17 and to £340,000 in 2017/18.
The Registration service's contribution (£180,000) is mainly attributable to additional income, through further development of complementary customer services and price increases. Cost reductions also contribute to the target, from staff savings and increased shared working with the City and Rutland.
- The main part of the Coroner's service contribution (£140,000) is expected to be from the development of shared facilities and/or practices with the City Council. The project is at an early appraisal stage to develop the actual source of savings. The saving from the project will be supplemented by targeted cost reductions in the existing service (£20,000).
20. ** S69 Review of Strategy, Partnerships & Communities section; £50,000 in 2014/15 rising to £240,000 in 2015/16, and to £440,000 in 2016/17.
The savings for the section relate to staff and the associated expenditure budgets. A review will commence next year to establish the relative on-going priorities of the various activities undertaken and to identify where efficiency savings can be made.
21. ** S70 Removal of establishment control saving (replaced with other savings); £150,000 reduction in 2014/15.
To reflect the reduced size of the Department and provide increased certainty the establishment control target has been removed and replaced with permanent savings.

Service Reductions

22. S71 Provision and refocusing of grants to individuals and community groups; £430,000 reduction in 2014/15.
This proposal is to merge the existing Big Society, Community Forum and Shire Grant funds administered by the section into a single Shire Grants programme and reduce the total value of grants awarded (£430,000). The new grants programme will have an annual value of £320,000 and be supplemented by further funding from the capital programme of £100,000.
23. S72 Funding and support to agencies; £210,000 reduction in 2014/15 rising to £590,000 in 2015/16.
A saving (£590,000) in relation to the funding of various external organisations is proposed. Any such proposals will be subject to detailed Equality and Human Rights Impact Assessments (EHRIA) and formal consultation with the organisations affected and service users. No changes in funding will be implemented prior to 1st October 2014, at the earliest, to enable the County Council to undertake the consultation and complete the EHRIAs referred to.

The relevant budgets that could be affected are set out below:

Contract	Current Value £000
Support for VCS Organisations (Voluntary Action Leicestershire)	595
Rural Advice and Rural Representation (Rural Community Council)	55
Race, Faith & LGBT Representation (The Race Equality Centre)	35
Advice and Advocacy Service (Citizens Advice Leicestershire/Charnwood)	190

Think Leicestershire (Voluntary Action Leicestershire)	70
Healthwatch Consumer Voice and Healthwatch Advocacy (Voluntary Action Leicestershire/POWhER)	195
Support for Town and Parish Councils (Association of Local Councils)	20

LCC internal budgets, which have a value of £40,000, will also be considered as part of this process.

24. S73 Funding for businesses and housing; £550,000 reduction in 2015/16.
The cessation of using some of New Homes Bonus Grant to assist local housing schemes accounts for the majority of this saving (£500,000). The remainder of the saving will be found from a review of the contributions for supporting tourism, social enterprises and rural housing and economic initiatives.
25. S74 Reduced staffing for a range of partnership and community support activity; £50,000 reduction in 2014/15 rising to £250,000 in 2015/16, and to £440,000 in 2016/17.
A review of the Strategy, Partnerships and Communities section will be undertaken to cover this saving (£440,000) and S69 above. The partnership and community work undertaken by the section includes those subject to the proposed savings in S71 to S73, although some areas of staff's work will not have an external expenditure element and this will form part of the overall review.
26. ** S75 Review Planning, Historic and Natural Environmental Services; £70,000 reduction in 2014/15 rising to £120,000 in 2015/16, to £160,000 in 2016/17 and to £180,000 in 2017/18.
A review of the Planning, Historic and Natural Environmental Service will be undertaken. The majority of the saving (£180,000) is expected to be found from staff reductions across the service, although a review of charges may provide some mitigation.
27. S76 Registration opening hours and "tell us once" service; £20,000 reduction in 2015/16, rising to £60,000 in 2017/18.
The first part of the proposal is to make "tell us once" a telephone only service, by removing the face to face option provided via the Registration service (£20,000). It is also proposed to implement a reduction in opening hours in 2017/18 (£40,000).
28. ** S77 Trading Standards reduced enforcement, inspection and testing activity; £100,000 reduction in 2014/15 rising to £180,000 in 2015/16 and to £250,000 in 2016/17.
The savings proposal recognises the need to maintain services to business and investigation of rogue traders, however there will be a reduction in business inspections, rogue trader enforcement, testing and analysis and cessation in recording farm animal movements.
29. S78 Cessation of International Links support to schools; £50,000 reduction in 2017/18.
The proposal is to stop the International Links activity that is currently provided free of charge to schools.

30. * S79 Cease contribution towards Police Community Support Officers; £430,000 reduction in 2014/15.
This proposal is the removal of the final part of financial support for Police Community Support Officers made by the County Council. This saving recognises that commissioning of such services is now a matter for the Police and Crime Commissioner.

31. ** S80 Review of IMPACT programme and the Youth Offending Service; £350,000 reduction in 2015/16, rising to £440,000 in 2016/17 and to £550,000 in 2017/18.
The majority of the savings under this heading are expected to be predominately staff reductions, with the exception of the proposal to remove the funding that the County Council provides to Leicestershire Constabulary's Inter-Agency Community Safety Bureau (£50,000).

The lower staff numbers following the review of the IMPACT programme (£140,000) will reduce the number of areas that can be worked on simultaneously. The initial impact of the Youth Offending Service review (£170,000) will be to increase the case loads per officer working with young offenders, and reduce the capacity for intensive work. The balance of the saving (£190,000) will also be identified through the review of the Youth Offending Service including the links with the Children and Families Service.

Other Funding

32. As part of the Government's welfare reforms the Department for Work and Pensions (DWP) abolished its discretionary social fund, on the 30th March 2013, and provided a Local Welfare Provision Grant (£1.1m) to councils to allow local arrangements to be put in place. Although the amount of grant funding was only known for the financial years 2013/14 and 2014/15 it was widely expected that some funding would continue beyond these two years. However, following the announcement of the local government finance settlement it is uncertain if any funding will be received post 2014/15 to provide a local welfare provision.

33. The Police and Crime Panel Grant (£0.1m) provides funding towards the administration and member expenses for the panel locally. The level of funding for 2014/15, from the Home Office, is still to be confirmed.

34. The Local Reform and Community Voices Grant (£0.3m) is providing funding towards the local Healthwatch and Independent Complaints Advocacy services. Local Healthwatch is the consumer champion for patients and the public in health and social care. The Independent Complaints Advocacy Service provides complaints advocacy support to people who wish to make a complaint about the service that they have received from the NHS.

35. The grant allocations for the Youth Offending Service (£0.6m) have not yet been released. It is anticipated that the amounts received for next year will be lower than in 2013/14, hence an 8% reduction has been assumed in the MTFs for planning purposes. Most of the contributions from local partners to the pooled budget have been confirmed. The main uncertainty is the funding from the Probation Trust due to the Government's significant changes to the Probation Service.

36. The Department of Communities and Local Government (DCLG) grant funding (£0.3m) towards the Supporting Leicestershire's Families programme is claimed on a payment by results basis. The budget has been set using an amount that is expected to be attainable. However, the actual amount received could be higher or lower depending upon performance. The Department of Education (DfE) grant (£0.1m) is a fixed amount, which is not expected to continue after 2014/15. The grants supplement the funding received from local partners and that provided by the County Council. Combined this funding will allow the programme to run until the end of 2015/16.
37. The table shows the specific grants expected to be received in 2014/15.

	2014/15 £000
Social Fund (DWP)	1,059
Police and Crime Panel Grant (Home Office)	*53
Local Reform and Community Voices Grant (Department of Health)	276
Youth Justice Grant (Ministry of Justice / Home Office)	*562
Youth Offending Service Pooled Budget Contributions (Police, Probation, PCT and Rutland)	*314
Domestic Violence Grant (Home Office)	*20
Restorative Justice Development Grant (Ministry of Justice)	13
Troubled Families Programme (DCLG)	*274
Troubled Families Co-ordinator Funding (DfE)	100
TOTAL	2,671

* amount to be confirmed by the awarding organisation

Capital Programme

38. The draft Capital Programme is summarised in the following table. The programme is funded from a combination of County Council resources and specific grants from external organisations.

Project	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Rural Broadband Scheme	3,400	4,630	420	0
Loughborough Science Park	100	1,400	0	0
Rural Capital Programme	150	100	100	100
SHIRE & Better Places Grant Scheme	155	150	100	100
Kegworth Community Centre	0	95	0	0
Total	3,805	6,375	620	200

39. The Rural Broadband scheme will roll out superfast broadband to home and businesses in the County so that the amount with access to faster internet speeds will increase from 75% to 95%, within three years. This will be delivered through the contract that was entered into with BT over the summer. The scheme is funded from a variety of sources, namely: European Regional Development Fund (£1.2m), Broadband UK (£3.3m) and the County Council (£3.9m). This capital scheme is expected to be expanded in the future so that further areas of the County benefit from superfast broadband.

40. The Loughborough University Science and Enterprise Park contribution, alongside contributions from other public sector partners, will assist towards the University's planned expansion of the existing Science and Enterprise Park. The initial grant (£0.5m) from the County Council will support the advance provision of infrastructure to the Park and a purpose built innovation centre. The remainder of the funding provided by this scheme is expected to be used to support the future growth of the site.
41. The Rural Capital Programme aims to help grow Leicestershire's rural economy. Priority focus for the programme has been small and micro businesses, employing up to 50 individuals. The figures contained in the table are net costs, with at least 60% of the funding required to be contributed by the benefiting business. The County Council's initial three year commitment to the programme has been extended by two years by using the earmarked fund for economic development.
42. The Shire & Better Places Grants will supplement the new revenue Shire Grants programme proposed above. The scheme will provide small grants to contribute towards projects that improve community infrastructure and town centres. The value of the projects supported will be higher than the capital amounts in the table above, as this is only the County Council match funding element.
43. The Kegworth Community Centre scheme will entail the building of an extension to the existing, community run, village hall. This expansion will act as a replacement for the County Council owned community centre, which is due to close, as the County Council no longer has a service delivery requirement for the centre. The amount in the table above is in addition to the amount in the 2013/14 capital programme, the majority of which is expected to be carried forward into 2014/15. This element of funding for the scheme will be funded by a variety of small grants.

Recommendation

44. The Commission are asked to consider the report and any response it may wish to make.

Equal Opportunities Implications

45. Many aspects of the County Council's MTFS budget are directed towards the needs of disadvantaged people. Where proposed savings are likely to have an adverse impact on service users protected under equalities legislation, Equality Impact Assessments must be undertaken at a formative stage of developing proposals prior to all final decisions being made. Assessments are being undertaken in light of the potential impact of proposals and the timing of the proposed changes.

Background Papers

Cabinet 15 January 2014 - Medium Term Financial Strategy 2014/15 to 2017/18

Circulation under local issues alert procedure

None.

Appendices

Appendix A – Revenue Budget 2014/15

Appendix B – Savings 2014/15 – 2017/18

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