



SCRUTINY COMMISSION - 16 SEPTEMBER 2014

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

2014/15 MEDIUM TERM FINANCIAL STRATEGY MONITORING (PERIOD 4)

Purpose of Briefing

1. To provide members with an update on the 2014/15 revenue budget and capital programme monitoring position.

Policy Framework and Previous Decisions

2. The 2014/15 revenue budget and the capital programme for 2014/15 to 2017/18 were approved by the County Council at its budget meeting on 19 February 2014 as part of the Medium Term Financial Strategy (MTFS). The MTFS is monitored throughout the financial year.

Background

3. The 2014/15 revenue budget and the capital programme for 2014/15 to 2017/18 were approved by the County Council at its budget meeting on 19 February 2014 as part of the Medium Term Financial Strategy.
4. The latest revenue budget monitoring exercise shows a net projected underspend of £3.7m, as summarised in Appendix 1. Details of major variances are set out below.
5. The latest capital programme monitoring exercise shows forecast spending to be in line with the total available resources.
6. Paragraph 35 below sets out a proposal to use the projected underspend to continue the voluntary repayment of debt to achieve ongoing revenue savings.
7. 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

8. The results of the latest revenue budget monitoring exercise are summarised in Appendix 1.

Children and Family Services (C&FS)

Dedicated Schools Grant

9. A net underspend of around £0.7m is currently forecast mainly relating to Special Educational Needs, pending further details on leavers. 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.

Other Children and Family Services

10. There is a net forecast overspend of around £0.8m (1.3%). There is a projected overspend on the Placement Budget of £2.5m. This budget pressure refers to those children placed in placements commissioned from the independent sector, principally independent fostering agencies as in-house, and less expensive, provision is currently saturated. This position is similar to the pattern of projections last year and was mitigated by the budget controls that were put in place. This approach will be taken again this year and will be further strengthened by short and medium term measures.
11. The Department is taking short and medium term actions to offset the overspend on the Placement budget, including:
- Management tracking of each child's case to ensure these are progressed in a timely manner;
 - Strengthening the accountability of budget holders;
 - Focused work on a cohort of 22 children's cases that represent an opportunity to reduce their placement costs whilst continuing to provide care that is effective for that child;
 - Focused work on groups of current providers of independent fostering services that are providing placements for groups of children to drive out savings;
 - Recruit additional in house foster carers and consider the use of an external agency to assist, possibly on a payment by results basis;
 - Investigate regional commissioning of placements to drive down costs through the use of a framework contract.
12. In the medium term, following the approval of a new strategic approach by the Cabinet in December 2013, the department is implementing a new Fostering and Adoption recruitment plan with a view to achieving an increased diverse 'bank' of foster carers, and implementation of the placement commissioning strategy ('Choices'), which will establish a deliberate approach to commissioning services for children in the care of the Council that will be more cost effective. Savings have also been identified in other services which have

reduced the projected net overspend and the Department is seeking to make further savings to offset the remaining balance during the remainder of the year.

13. The 2014/15 budget includes an increase of £3.2m to offset the reduction in Early Intervention Grant and for potential additional costs on former Early Intervention Grant issues, particularly regarding the expansion of the offer of free education to include two year olds in care and those with special needs. This increase is funded by the use of a balance of £3.2m in the Early Intervention Grant earmarked fund. It is anticipated that an element of the £3.2m will not be required in 2014/15. The situation will be kept under review and the CFS budget will be amended if necessary later in the year.

Adults and Communities

14. Growth of £2.5m was included in the 2014/15 budget to mitigate some of the demographic and efficiency shortfall issues materialising in 2013/14. Pressures are continuing into 2014/15 and a net overspend between £3.5m and £5m is currently forecast with £3.8m (2.8%) predicted as the most likely, albeit with some risks. This position is after uplifting demand budgets by £3m to reflect inflationary pricing pressures. A range is being quoted at this time to reflect current reporting and data challenges following whole scale systems change (implementation of IAS from SSIS) coupled with significant Department of Health changes to statutory reporting.
15. The key forecast overspends are noted below.

- Residential care home placements (forecast net overspend £0.8m)

The overall number of placements made in care homes has not increased, but the average cost of each placement is higher. The reasons for this are the increasing frailty and dependency of older people at the time they enter a care home, and increased complexity of need of younger disabled people requiring a care home placement.

- Supported living and ordinary residence (forecast overspend £1.1m)

The number of new placements is expected to exceed the growth that had been included in the MTFS. In addition to this, a number of existing placements were identified where the funding position between the County Council and neighbouring Councils was unclear due to ordinary residence rules. This resulted in a review of the relevant funding responsibilities of each council and the transfer (in both directions) of the funding of some of these cases. The net position resulted in an increased cost for the County Council.

- Home care (forecast overspend £1.3m plus up to £1.5m further risk)

Increased levels of demand and above inflationary pricing pressures have seen homecare costs increase by over 5% year on year. Demand pressures are a result of service user's increasing levels of need. Above inflationary pricing pressures are being driven by sector wide issues of capacity shortage and increasing wage costs being experienced by providers, relating to staff travel and other incentives to recruit and retain skilled staff.

- Direct payments/cash budgets (forecast overspend £0.7m)

The increases in direct payments are for similar reasons to those for home care. The increased level of spend on direct payments should, however, be mirrored by a decrease in the volume of care commissioned by the Council. The fact that both are increasing is indicative of rising demand and cost pressures.

- Shortfall in achieving MTFS savings targets (£0.7m)

A shortfall in achieving savings has arisen due to delays in implementing plans for delivery. This is partly linked to the need to undertake public consultation and statutory changes relating to services such as Deprivation of Liberty. The key risks relate to in-house and other service reviews; libraries and museums and "Limiting service users choice of support to the most cost effective option". Some mitigating savings have been sourced already (short term Communities and Wellbeing and early delivery of the Prevention Review) and the department is looking to identify other areas of savings to compensate for the remaining shortfall.

16. The overspends above are partially offset by underspends in other areas, including:

- Homecare Assessment and Reablement Team - an underspend of up to £0.4m is forecast due to vacancies;
- Implementation of the Prevention Review has resulted in savings being delivered early, exceeding the MTFS target by £0.4m.

17. A number of other actions are being undertaken:

- Increased management controls for higher cost care home placements and high cost home care packages through an immediate change to delegated powers. All higher cost care placements and packages (including those for the highest banding for older people), will be subject to an enhanced level of senior management oversight and control;
- Increased control of care home placements and home care package costs post hospital discharge. Existing arrangements for deciding on care home placements and the size of home care packages following a

hospital discharge will be reviewed. This will require careful discussion with NHS partners to ensure a balance between controlling costs and supporting safe and timely discharges;

- A robust approach to claw back of personal budget underspends has been implemented to ensure that any unused cash balances accruing from cash personal budgets are clawed back and ongoing reductions are made in the personal budget allocation. To date £76,000 of savings have been achieved;
- Re-phasing of ordinary residence transfers and review of supported living costs. Further discussions will take place with neighbouring Councils to seek a longer time to complete the transfer of cases, and thus reduce the budget pressure in the current year;
- Underspends will be maximised in staffing budgets through continuing vacancy control;
- Consideration will be given to commissioning an independent review of placement and care package costs.

Public Health

18. Following the transfer of Public Health budgets from the NHS, a review of contracts has resulted in a number of opportunities to reduce the cost of services procured through scrutiny of transferred commissioned services. This means that a saving of c£1m is likely to be realised in 2014/15 which provides the opportunity to bring forward MTFS savings targets in 2015/16 of £0.5m rising to £1m in 2016/17. Preventative spend elsewhere in the Authority suitable for substitution will be identified and evaluated through a prioritisation tool to assess its Public Health value compared to other opportunities.

Environment and Transportation

19. The Department is forecast to underspend by around £0.35m (0.4%). A net overspend on Waste budgets and an overspend on Special Education Needs Transport are offset by underspends on Concessionary Travel and Mainstream School Transport budgets.

Chief Executives

20. The Department is forecast to have a net underspend of £0.38m (3.3%), mainly relating to the early achievement of savings in Democratic Services, staff vacancies and increased income.

Corporate Resources

21. The Department is forecast to have a net underspend of around £0.58m (1.7%), mainly relating to Trading Services over-performance against targets, staffing underspends and increased income.

Contingencies

22. A contingency of £4m was made against delays in the achievement of savings. Given the forecast overspends on Children and Family Services and Adults and Communities, the contingency is shown as an underspend to offset those overspends.
23. 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 Transformation earmarked fund to meet costs in future years.
24. A contingency of £6.0m was made for inflation, of which £3.5m has been allocated regarding residential care charge increases, inflation on premises and ICT budgets and for several other minor items. Pressures are expected on other areas including pay, insurance and waste budgets.

Central Items

25. Bank and other interest is forecast to be £0.1m higher than the original budget, due to balances being higher than anticipated.
26. An underspend of £0.5m is forecast on the Financing of Capital budget, arising from the voluntary repayment of debt of £8.4m in 2013/14, funded from the net underspend at year end.
27. The Financial Arrangements budget is forecast to underspend by £0.4m, mainly due to the receipt of a rebate on a centralised agency arrangement and lower than budgeted external audit fees. These underspends are partially offset by expenditure of around £52,000 regarding County Council contributions of 75% towards the costs of a review of Single Person Discount cases undertaken by six of the District Councils in conjunction with a third party. This major review revealed over 2,800 individuals were taking advantage of the 25% rebate when they were ineligible. It means that the County Council, District Councils and the Police and Fire authorities will all benefit from extra council tax revenue estimated to be in the region of £900,000. The County Council's share is around £650,000.
28. In 2013/14 the County Council agreed to contribute £125,000 for additional administrative costs and £250,000 towards Discretionary Discount Funds (DDF) to the District Councils, following changes made under the Localisation of Council Tax Support (LCTS) reforms.
29. The final position on the DDF for 2013/14 showed that only 17% had been allocated and that £208,000 of the County Council's £250,000 2013/14

contribution was carried forward to fund DDF in 2014/15. It was anticipated that calls on the DDF in 2014/15 could potentially be higher than in 2013/14 as all Districts other than Harborough have increased the caps that apply in their 2014/15 LCTS schemes.

30. The results of a monitoring exercise after the first quarter show that there has been a marked increase in claims on the DDF. However, it appears likely that the DDF monies carried forward from 2013/14 will be adequate to fund the DDF requirements in 2014/15 and consequently the £250,000 additional funding in 2014/15 is forecast to be unspent. The scale of DDF required in later years will be reviewed with the Districts in the autumn and reflected in the 2015 MTFs.

Business Rates

31. The Government introduced the Business Rates Retention system from April 2013. The business rates “baseline” (“local share”) income which is to be collected during 2014/15 is based on a formal return submitted to the Government by the Districts, and this shows an increase of £0.4m compared with the budget in the current MTFs. Any shortfall in the level of actual 2014/15 income will impact on 2015/16 or later years.
32. At the time of the compilation of the MTFs there were uncertainties on a number of issues, including the levels and treatment of potential appeals, and the MTFs included a £1m reduction to reflect those uncertainties. A separate contingency is now shown for £1m to reflect potential shortfalls in business rates income impacting in later years.
33. Additional Section 31 Grants of £1.35m are anticipated regarding compensation for the loss of business rate income arising from a number of Government policy decisions, including a further extension of the temporary increase in Small Business Rate Relief and the 2% cap on the business rates multiplier in 2014/15, rather than applying the September RPI increase of 3.2%.
34. The County Council is undertaking quarterly monitoring with the District Councils, Leicester City Council and Rutland County Council to assess the position and also to model the possibility of reforming the Leicester and Leicestershire Business Rates Pool in 2015/16.

Revenue Summary / Invest To Save Proposal

35. A net revenue underspend of £3.7m 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 is proposed to continue this approach and that the potential underspend be used to fund the voluntary repayment of debt, leading to savings in future years on the financing of capital budget. It is worth noting that there could be requests for additional funding for vehicle replacement.

CAPITAL PROGRAMME

36. The table below shows a revised budget of £60.0m. The change in resources reflects slippage from 2013/14 and additional resources in 2014/15.

Department	Original Budget £m	Outturn adjustment and Changes in Funding £m	Revised Budget £m	Forecast £m	Revised Budget v Forecast Variance £m
Children & Family Services*	12.4	0.4	12.8	12.8	0.0
Adults and Communities	1.6	0.2	1.8	1.8	0.0
E&T-Transportation	29.3	3.9	33.2	33.0	-0.2
E&T-Waste Management	0.6	0.1	0.7	0.7	0.0
Chief Executive's	3.8	0.4	4.2	4.1	-0.1
Corporate Resources	2.7	1.0	3.7	3.7	0.0
Corporate Programme	3.6	0.0	3.6	3.6	0.0
Total	54.0	6.0	60.0	59.7	-0.3

*Excludes Devolved Formula Capital (DFC)

Children and Family Services

37. The forecast expenditure is in line with the budget.

Adults and Communities

38. The forecast expenditure is in line with the budget.

Environment and Transport – Transportation Programme

39. The latest forecast shows an underspend of £0.2m compared with the revised budget.
40. The main areas of variances relate to the Active & Sustainable Travel underspend of (£0.2m) on Stephenson's Way, Coalville due to lower than anticipated costs, and Green Lane, Coalville due to slippage from improvement to the roundabout.
41. The Department for Transport (DfT) on 18th July 2014 awarded additional capital grant funding of £2.6m for Pothole repairs. The funding will be spent across a variety of locations within Leicestershire on patching and carriageway surfacing, joint sealing and other general maintenance works that will ultimately result in there being fewer potholes in the county.

42. The DfT has also recently announced one of the two elements of the Local Transport Plan (LTP) capital funding for 2015/16. The Integrated Transport element for 2015/16 is £2.7m, compared with £4.9m included in the provisional 2015/16 Capital Programme. The County Council is awaiting details of the Maintenance grant element which is expected to be increased to compensate for the difference. The position will be reviewed as part of the 2015 MTFS planning.
43. Further funding for transport improvement schemes is unclear at the moment due to uncertainties about the funding that will be received from the Single Local Growth Fund, managed and distributed by the Leicester, Leicestershire Economic Partnership (LLEP). The LLEP has received only a quarter of the amount it bid for (£60m compared with a bid of £240m) for the period 2015 – 2020.

Environment and Transport – Waste Management

44. The forecast expenditure is in line with the budget.

Chief Executive's

45. Overall slippage of £0.1m is forecast, mainly due on the Rural Capital Programme. It is unlikely that Year 3 of the programme (2014/15) will be required as there are other (similar) grant schemes that are supported with Leicester City Council and the LLEP which are funded from the Regional Growth.
46. The County Council has confirmed its agreement to proceed with proposals for the Kegworth Community Centre Village Hall extension and Community Centre disposal. The County Council's contribution has increased to £44,000 (including a £10,000 contingency) due to less than anticipated external grant contributions. This increase will be funded from in year underspends within the Chief Executives revenue budget. The scheme is included in the Chief Executives 2014/15 capital programme.

Corporate Resources

47. The forecast expenditure is in line with the budget.

Corporate Programme

48. The forecast expenditure is in line with the budget.

Capital Receipts

49. The forecast of total capital receipts in 2014/15 is £9.0m. The amount required to fund the 2014/15 capital programme is £5.6m leaving a balance of £3.4m; this will be carried forward to fund the 2015-19 MTFS capital programme.

Capital Summary

50. The revised capital programme totals £60.0m and is forecast to underspend by £0.3m. At this stage it is projected that spending will be 99.5% of the revised budget. Overall the aim is that 95% of available resources should be spent in year.

Recommendation

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

Background Papers

Report to County Council – 19 February 2014 – Medium Term Financial Strategy 2014/15–2017/18

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=3961&Ver=4>

Circulation under the Local Issues Alert Procedure

None.

Appendices

Appendix 1 – Revenue Budget Monitoring Statement

Appendix 2 – Revenue Budget – Forecast Main Variances

Appendix 3 – Capital Programme – Forecast Main Variances

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Equal Opportunities Implications

No direct implications.