Agenda Item 9

Leicestershire County Council

SCRUTINY COMMISSION - 5 NOVEMBER 2014

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

2014/15 MEDIUM TERM FINANCIAL STRATEGY MONITORING (PERIOD 6)

Purpose of Report

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 2014/15 to 2017/18 capital programme 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 £6.6m, as summarised in Appendix 1. Details of major variances are set out below

5. The latest capital programme monitoring exercise shows an underspend of £0.1m compared with the updated budget.

6. Paragraph 34 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 six months of this financial year.

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 £1.24m is currently forecast mainly relating to Early Learning and Childcare and Special Educational Needs. 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 £50,000 (0.1%). There is a projected overspend on the Placement Budget of £3.18m. 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 the measures set out below.

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 funding of £3.2m to offset the reduction in Early Intervention Grant and the expansion of the offer of free education for disadvantaged two year olds. The 2013/14 MTFS assumed that the expansion of the two year old offer would be unfunded and made provision accordingly, however additional funding was subsequently received in the 2014/15 Dedicated Schools Grant. At this stage an underspend of £0.8m is reported against this funding, which could increase to £2.1m, following a review in November, when the extent of the two year old take up and its current and future financial impact can be assessed with some level of certainty.

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 of £3m (2.2%) is currently forecast, albeit with some risks. This position is after uplifting demand budgets by £3m to reflect inflationary pricing pressures.

15. The key forecast overspends are noted below.

- Home care (forecast overspend £1.4m)

  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.

- Service user Fairer Charging income (forecast overspend £1.1m)

  Service user contributions to the cost of their (community based) care are projected to be 9% lower than budgeted for. This is a sensitive budget that varies depending on the relative level of wealth and ability to pay of service users.

- Residential care home placements (forecast net overspend £0.9m)

  Income levels from service users are lower than expected. Further work is being undertaken to establish whether this is a timing variance or a trend of reducing service user income affected by changes in the wider economic environment, such as the tightening of welfare benefits.

- 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 user's 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:

- Direct Cash payments – an underspend of £0.5m due to tightening of packages for new users;
- HART Reablement - an underspend of up to £0.6m is forecast due to vacancies and additional health funding;
- Implementation of the Prevention Review has resulted in savings being delivered early, exceeding the MTFS target by £0.5m.

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 £146,000 of savings have been achieved;

- Underspends will be maximised in staffing budgets through continuing vacancy control;

- An independent review of placements and care packages has been commissioned and will be undertaken in November 2014.

<u>Public Health</u>

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 County Council 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 have a net underspend of £0.21m (0.3%). Overspends on Waste, Special Education Needs transport, Public Bus Services and Social Care transport are offset by underspends on Concessionary Travel, Mainstream School transport and Community transport budgets.

Chief Executives

20. The Department is forecast to have a net underspend of £0.76m (6.6%), mainly relating to New Homes Bonus, 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 £0.48m (1.4%), mainly relating to Traded Services over-performance against targets, staffing underspends and increased income, partly offset by overspends on ICT Architecture Design and Commissioning, property disposal costs and East Midlands Shared Services.

Contingencies

22. A contingency of £4m was made against delays in the achievement of savings. Given the forecast overspend on Adults and Communities, the contingency is shown as an underspend to offset the overspend.

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 £4.8m has been allocated regarding residential care charge increases, inflation on premises, ICT, street lighting energy, waste budgets and for several other minor items. Pressures are expected on other areas including pay and insurance budgets.

25. The MTFS includes a £1m contingency for business rates income. The contingency is to fund potential shortfalls in business rates income impacting in later years.

Central Items

26. Bank and other interest is forecast to be £0.25m higher than the original budget, due to balances being higher than anticipated

27. 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.

28. 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.

29. 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.

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 (£208,000) 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 business rates income will impact on 2015/16 or later years.

32. Additional Section 31 Grants of £1.36m 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%.

33. 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. A draft "Expression of Interest" regarding a reformed Pool for 2015/16 has been submitted to the DLCG but the final decision will not need to be confirmed until January 2015.

Revenue Summary / Invest To Save Proposal

34. A net revenue underspend of £6.6m 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 of £0.5m per annum on the financing of capital budget. It is worth noting that there could be requests for additional funding for vehicle replacement.

CAPITAL PROGRAMME

35. The table below shows an updated budget of £60m. The change in resources reflects slippage from 2013/14 and additional resources in 2014/15.

	Original Budget £m	Outturn adjustment and Changes in Funding £m	Updated Budget £m	Forecast £m	Updated 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	33.3	0.1
E&T-Waste Management	0.6	0.1	0.7	0.7	0.0
Chief Executive's	3.8	0.4	4.2	4.3	0.1
Corporate Resources	2.7	1.0	3.7	3.4	-0.3
Corporate Programme	3.6	0.0	3.6	3.6	0.0
Total	**54.0**	**6.0**	**60.0**	**59.9**	**-0.1**

*Excludes Devolved Formula Capital (DFC)

Children and Family Services

36. The forecast expenditure is in line with the updated budget.

Adults and Communities

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

Environment and Transport – Transportation Programme

38. The latest forecast shows a net overspend of £0.1m compared with the updated budget.

39. The main areas of overspending relate to £0.2m on “Part 1” compensation payments regarding Earl Shilton bypass, £0.1m under recovery of grant on the Oadby and Wigston Town Centres scheme, £87,000 overspends on Bridges and £50,000 increased costs of works on the Hinckley schemes. These are partly offset by an underspend of £0.22m on the Active & Sustainable Travel budget; there is a saving of £60,000 on Stephensons Way, Coalville due to lower than anticipated costs, slippage of £50,000 on development work in Maxwell/Francis Drive, Loughborough and savings on a number of other schemes coming under budget.

40. The DfT announced on 24th July 2014 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.

41. The County Council has been successful in bidding for five major transport schemes from the Single Local Growth Fund (SLGF), managed by the Leicester, Leicestershire Economic Partnership (LLEP). The schemes total £36.2m over the next three years. Of this, £27.6m will be funded from the SLGF, £1.5m from Leicester City Council and £7.1m matched-funding from the County Council’s future LTP funding. The programme of schemes and funding will be included in the 2015 MTFS. The schemes are:

- Leicester North West Major Scheme (£19m)
- Lubbesthorpe Strategic Employment Site Access (£5.1m)
- Hinckley Phases 2 and 3 (£5.5m)
- M1 Junction 22 (£3.6m)
- A42 Junction 13 (£3m)

Environment and Transport – Waste Management

42. The forecast expenditure is in line with the updated budget.

Chief Executive’s

43. The latest forecast shows a net acceleration of £0.1m compared with the updated budget. Loughborough Science Park Development will be accelerated by £0.13m from 2015/16 for the first contribution to Loughborough University, which is due when the unconditional contract for the project has been signed. Kegworth Community Centre has been accelerated by £0.1m. Slippage of £0.1m is forecast on the rural capital programme. It is unlikely that Year 3 of the programme (2014/15) will go ahead, as the County Council is supporting other similar grant schemes that are funded via the Regional Growth Fund.

Corporate Resources

44. The latest forecast shows slippage of £0.3m compared with the revised budget. The Property Asset Management System (PAMS) is forecast to underspend by £0.13m including slippage of £68,000 into 2015/16 due to a revised implementation date of September 2015. The Data Quality/Pseudonymisation Software project is forecast to slip (£0.12m) to 2015/16 on the Data and Business Intelligence enabler work which is likely to have a significant influence on the business requirements, so the project is on hold until those requirements have been clarified.

Corporate Programme

45. The forecast expenditure is in line with the updated budget.

Capital Receipts

46. The forecast of total capital receipts in 2014/15 is £5.9m, a reduction of £0.8m from the previous forecast based on the current estimates. The revised position for 2014/15 is:

Summary of capital receipts	**£m**
Unapplied Capital Receipts b/f from 2013/14	11.0
Forecast 2014/15 Capital Receipts	5.9
Sub Total	**16.9**
Amount required to fund 2014/15 programme	(8.5)
Earmarked Capital Receipts (for future schemes)	(1.2)
Balance c/fwd to 2015-19 capital programme	**7.2**

Capital Summary

47. The updated capital programme totals £60m and is forecast to underspend by £0.1m. At this stage it is projected that spending will be 99% of the revised budget. Overall the aim is that 95% of available resources should be spent in year.

Recommendation

48. 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.