

Open Report on behalf of Executive Director of Finance & Public Protection

Report to:	Value For Money Scrutiny Committee
Date:	27 January 2015
Subject:	Revenue & Capital Budget Proposals 2015/16

Summary:

This report describes the budget proposals arising from the Provisional Local Government Settlement, announced 18th December 2014, and the implications for the following commissioning strategies:-

How We Do Our Business

Enablers & Support to Council's Outcomes

The budget proposals are now open to consultation and members of the Committee have the opportunity to scrutinise them, and make comment, prior to the Executive meeting on 3rd February 2015.

Actions Required:

The Value For Money Scrutiny Committee is asked to consider this report and receive a presentation at the meeting about the budget changes to the relevant services.

Members of the committee are invited to make comments on the budget proposals and for these to be passed on to the Executive prior to its meeting on the 3rd February 2015.

1. Background

Background

- 1.1. This report sets out a one year financial plan for revenue and capital budgets. The Council will set a one year budget due to the uncertainty associated with local government funding in the medium to long term. Uncertainty of future funding following a general election in May 2015 and the promise of a new Comprehensive Spending Review which will follow this will affect local government funding to the end of the decade. Also changes to funding through the Better Care Fund and implementation of the Care Act will require further clarification for local government budgets to be set with certainty in the longer term. Clarity on such matters should allow the County Council to develop longer term plans from 2016/17 onwards.

- 1.2. In developing the one year financial plan for 2015/16 the Council has undertaken a fundamental review of priorities and related budgets to identify how to close the gap between current spending levels and the amount of funding available to local government going forwards. The Council plans to use a mixed approach of delivering spending at the reduced level of funding available through budget savings/reductions plus the use of reserves built up in previous financial periods to smooth the effect of reductions to service budgets in this financial year.
- 1.3. At its meeting of 6th January 2015, the Executive agreed that proposals for the council's revenue and capital budgets and the council tax level for 2015/16 to be put forward as a basis for further consultation.
- 1.4. The budget proposals reflect the structure of the Council as approved by full Council in May 2014, the commissioning strategies included in this paper and their associated activities are detailed below.

How We Do Our Business

- Budget & Policy Framework (Finance & Audit)
- Corporate Standards (including Chief Executive's Office)
- Decision making including the democratic process (including Members allowances)
- Precept - Eastern Inshore Fisheries & Conservation Authority

Enablers & Support to Council's Outcomes

- ICT Strategy & Support
- Property Strategy & Support (inc County Farms)
- People Strategy & Support
- Legal Services
- Commissioning
- Business Support
- Strategic Communication

- 1.5. The revenue budget proposals for the commissioning strategies are shown in Table A below.

Table A – Proposed Revenue Budgets

CHANGE IN COMMISSIONING STRATEGY		2014/15
REVENUE BUDGETS		£000's
How We Do Our Business		
	Original Budget	9,059
	Pay Inflation	50
	Cost Pressures	0
	Savings	-776
	Total proposed budget	8,333
	% change	-8.0%
Enablers & Support to Council's Outcomes		
	Original Budget	40,525
	Pay Inflation	295
	Cost Pressures	1,416
	Savings	-3,190
	Total proposed budget	39,046
	% change	-3.6%

How we do our Business

1.6 **Democratic Services** has a proposed budget reduction of £0.056m. There will be a review of arrangements for servicing the civic responsibility for the Chairman of the Council. The elections budget is only sufficient to cover one by-election per annum so £0.010m remains in the budget with no reduction proposed. Boundary Commission changes reducing the size of the Council by 10% would provide a saving on Member's Allowances of £0.100m, but this would not come into effect until the financial year 2017/18.

1.7 **Corporate Standards and Chief Executive's Office** have a proposed budget reduction of 29% (£0.214m). This saving includes the reduction of 1 Executive Director and the removal of the separate consultation budget, any future consultation cost pressures can be met if required from corporate contingency.

1.8 **Finance and Audit** have a proposed budget reduction of £0.506m. The reduction will be £0.456m for financial strategy/accountancy and £0.050m for internal audit. The current internal audit service for schools will be maintained. The savings would be from a range of measures including staff reductions, Serco contract, and income generation.

Enablers and Support to Council's Outcomes

1.9 **Legal Services Lincolnshire** has a proposed budget reduction of £0.060m. Income is dependent on volumes of business from the Lincolnshire County Council Clients, District partners and external public sector bodies. During the Autumn/Winter period Legal Services Lincolnshire will review its predicted volumes of work from all sources and review its staffing structures and numbers to ensure it is in a position to achieve at least a sufficient surplus for the forthcoming financial years to meet the savings target but also to distribute to shared services partners.

1.10 **People Management's** budget is proposed to be reduced by £0.121m. This reduction would be met by various staff related changes. Cost pressures have been recognised in this area, and as such £0.550m will be allocated to cover the shortfall in budget for the Serco contract and the additional resources needed due to the change in the pensions administration function.

1.11 **Information Management and Technology** have a proposed budget reduction of £0.021m. The IMT department has been reduced in size by 55% since 2010 while delivering substantial revenue savings. The activities being undertaken under the FBR build on this and provide additional saving enablers through improved contract management, information governance and a new consumption based charging approach that drives down the cost of IMT; making costs visible to departments and promoting rationalisation of systems. More substantial savings would be achieved in future years.

1.12 **The Commissioning Support Unit's** budget is proposed to be reduced by £1.011m. Savings have already been delivered through the Senior Management Review reductions. The proposal is that the service be re-modelled and resource prioritised to take account of the very substantial forthcoming commercial and procurement requirements particularly in Adult Care and to a lesser extent in Public Health and Children's over the next 2 years; the need for a dedicated contract manager and CSC client lead arising out of the Serco contract and the creation of a new Enterprise Data Warehouse team developing the LRO to improve the Council's data provision and report/analysis functions to better support commissioning activity.

1.13 As a consequence of this prioritisation and the need for savings, the proposal is that there will be less resource available in the Commissioning Performance and Assurance team to support the Council's priority projects. This recognises that the team will be supporting a smaller organisation than for which it is currently designed and that resources currently deployed on significant projects such as FDSS and LHAC will be available for redeployment in the next financial year.

1.14 **Strategic Communications** has a proposed budget reduction of £0.024m which will be met from a staff restructure.

1.15 **Property Strategy and Support** has a proposed budget reduction of £1.026m. The County Farms income budget was not proposed to be changed in FBR. The savings will be achieved as a result of:

- The re-structuring and rationalisation of the Corporate Property team and the Children's Services schools property team which has been completed and the new structure is now in place; and
- The re-procurement of the Mouchel property services contract has been awarded to Vinci/ Mouchel and will commence on 1st April 2015 delivering an improved service at a significantly lower cost.

1.16 Further rationalisation of the Council's office accommodation portfolio will deliver the balance of the savings by reducing the number of buildings we occupy and saving the costs associated with those buildings.

1.17 **Business Support's** proposed budget reduction is £0.857m, plus the service has to find additional savings to meet a cost pressure of £0.070m for LCC's offsite storage costs. The budgets for Business Support are predominantly staffing based with the exception of some corporate budgets such as postage services and other running costs. As a support service the reshaping of this service will need to follow that of other services and this will not commence until summer 2015. In addition, the impacts of Agresso and Mosaic on areas such as purchasing and invoicing work which are to be implemented from April 2015 will need to settle down and be understood and measured to enable appropriate savings

Capital Programme

1.18 The proposed capital programme matches the revenue budget and runs until 2015/16 plus a number of schemes which stretch into future years (including the rolling programme of renewal and replacement of fire fleet vehicles). A review of the capital programme has been undertaken alongside setting the revenue budget. The main drivers in the review of the capital programme have been matching spending to service priorities while considering the overall affordability of the programme.

1.19 The capital budget proposals for Enablers & Support to the Council's Outcomes are shown in Table B below

Table B – Capital Programme

CAPITAL PROGRAMME				2014/15	2015/16	Future years
				£000's	£000's	£000's
			Enablers & Support to Council's Outcomes	31,744	28,490	7,298

Other Consultation

1.20 The Council will meet with local business representatives, trade unions and other partners on 23rd January 2015.

1.21 The proposals are being publicised on the Council's website together with the opportunity for the public to comment

1.22 Consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 3rd February 2015.

2. Conclusion

These budget proposals reflect the level of government funding available to the Council and the proposal to increase Council Tax in 2015/16 by 1.9%. They are based on a thorough and comprehensive review of the Council's services. The budget proposals therefore aim to reflect the Council's priorities whilst operating with the resources available to it.

3. Consultation

a) Policy Proofing Actions Required

n/a

4. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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