

COUNTY COUNCIL MEETING – 14 SEPTEMBER 2012

Statement from: Councillor K J Smith, Executive Councilor for Finance and Human Resources

Government Initiatives Relating to the Financing of Local Government in England

There are 3 topics I wish to bring to your attention in this statement:

(i) **Local Retention of Business Rates**

I have previously updated Council on this initiative, whereby the current general grant given by Government to local government in England (ie formula grant) will be replaced from April 2013 by a funding methodology partially based on the local retention of business rate income. A government consultation is presently underway relating to the practical detail of the operation of the new regime. The key aspect of this consultation is the basis on which funding baselines will be set at the outset of the new regime. The government intends to alter a limited range of the parameters that presently dictate how rural local authorities are funded. In particular, changes are proposed to measures dealing with sparsity, concessionary fares and the delivery of social care and fire services in rural areas. All the proposed changes are positive in terms of their impact upon the funding base of this Council. Indeed, indications are that they would add around £7.5M pa to the current £200M pa general grant we receive. However, the proposals go on to indicate that a damping regime will apply to any changes resulting from this review, which would scale back the initial benefit to the Council to only £1.5M pa. The timescales over which such damping will unwind are likely to be decades rather than a few years. Our response to the consultation will reflect our view that we do not believe application of a damping mechanism is equitable in these circumstances.

(ii) **Support for the Council Tax**

From April 2013, the Government intends to replace the present centrally controlled and funded council tax benefit system with local schemes, set by each billing authority (ie the Districts in our case) and funded by a new grant devolved to all local authorities. Current central funding will be reduced by 10% prior to allocation of that funding. The County Council will be responsible for around 75% of the costs of this new regime in the county, and is likely to face a funding shortfall of £4M in the first year of operation. The ability to mitigate that shortfall rests exclusively with the District Councils in terms of how they establish their individual local schemes. They have the power to increase income from the council tax by charging tax on vacant premises, and they also have the ability to reduce benefit entitlements to current claimants, apart from pensioners who are protected. Officers are working constructively with the Districts to seek a solution that minimises the financial burden on all authorities, but still provides for a fair scheme. The Districts will formally consult all interested parties, including the County Council, on their proposals.

(iii) Academy Funding via LACSEG

Local authority central spend equivalent grant (LACSEG) is funding given to schools who convert to academy status to allow them to purchase services previously provided directly by the Council. Current procedures mean that there is an element of double funding in the system whereby new academies receive LACSEG without there being necessarily an appropriate adjustment to local authority funding via both the dedicated schools grant and formula grant. From April 2013 it is proposed that all schools are funded for these services in a consistent manner via a grant from the Department of Education. Funding is being removed from formula grant to transfer to the DfE to assist in achieving that aim. As a result of these changes, there could be funding pressures arising within the Council, both within Children's Services and within some corporate support services. At this point in time there is not sufficient clarity in the proposals to estimate their impact on the Council.

Appointment of a New External Auditor

I am able to update the Council on the appointment of a new external auditor to replace the District Audit Service (DAS) of the Audit Commission later this year. The Audit Commission has formally appointed KPMG to be the external auditor for a wide range of public bodies in the East Midlands. The formal appointment is for five years, commencing 1 September 2012. In practical terms, KPMG take over the assignment from 1 November this year. Existing Audit Commission staff in the region transfer to KPMG. Savings of some 40% (£80K pa) are expected to arise from the new contract.

Finance Seminar for all elected members

As mentioned earlier in this statement, there are a wide range of changes taking place in local government finance. In order to update members on these changes, and their implications for the Council, a half day finance briefing has been arranged for the morning of 29 November 2012. The session will also provide a briefing on the key issues under consideration for the 2013/14 budget setting process. Therefore, it is not the intention to undertake specific general budget briefings at each Scrutiny Committee during the November cycle of meetings. As is usual, Scrutiny Committees will review detailed proposals for their own areas during the January 2013 cycle of meetings.

Procurement

The Council, in conjunction with the Lincolnshire Chamber of Commerce and the Lincolnshire Federation of Small Businesses, hosted successful 'Meet the Buyer Events' on 26 June 2012. Almost 200 Lincolnshire businesses met with the Council and other local and regional public sector procurers to discuss ways in which local businesses can get information and access to public sector contracts. The Council and its partners have had positive feedback from the events.

In addition, all Council contracts with suppliers are now logged on our web-based contract management system (FireFly), which is accessible to businesses. So far over 2,250 contracts have been registered on the system.

Broadband

Steady progress has been made towards improving broadband coverage and speeds across the county. All required funding is in place, and our preparations have passed 'milestone audits' by KPMG on behalf of Broadband Delivery UK. We are on target to publish the Invitation to Tender (ITT) for private sector investment on 4 October 2012. We should be able to declare the preferred bidder before the end of this calendar year, sign contracts in early January, and start work early in the New Year. All this is reliant on the EC approving the UK's application for State Aid Approval - the Minister, Jeremy Hunt, stated in August that he was confident this would be in place during the autumn. Delay in State Aid approval would only affect our timetable if it was delayed until after we were ready to sign contracts in early January.

Information Management and Technology

The Executive agreed a new IMT Strategy on 4 September that will act as a reference point against which all IMT developments will be tested for the future. The strategy takes a new approach focusing on the information rather than purely technology, and will ensure that future investment and activity is fit for purpose in the rapidly changing environment in which we are now working.

Proposals for further improvements to resilience of our systems and revised approaches to supporting social care will be made shortly.

Upgrades to the whole IMT estate are continuing within the Next Generation Platform (NGP) Programme. These will enable changes to our operating model with Mouchel from next year, and deliver our commitment to improved services at lower cost. Surveys of employees, following changes to their desktop equipment, show very high rates of people saying the changes had improved things for them.

People Management

The Council's workforce has now stabilised at just over 4,500 full time equivalent staff. All projected savings from the Managing Workforce Change Programme have been achieved. Of course, the environment in which we are working is very volatile and the Council will continue to manage workforce levels tightly.

Business Support

Business Support are still on target to achieve efficiency savings by progressing multi-skilling across the workforce, process reviews and vacancy management.

In the first six months of this financial year, nearly 6,000 Blue Badge applications were received and processed and we are now engaging with an independent mobility assessment provider to assess eligibility. Our Client Accounts Team, who manage the Appointeeship scheme which assists clients who no longer have the capacity to manage their own financial affairs, are now supporting over 200 clients across Lincolnshire.

In the area offices, Business Support continue to work proactively to support local services and their users.