



SCRUTINY COMMISSION - 31 JANUARY 2022

MEDIUM TERM FINANCIAL STRATEGY 2022/23 – 2025/26

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

Purpose of Report

1. The purpose of this report is to:
 - a) provide information on the proposed 2022/23 to 2025/26 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 make any recommendations to the Cabinet accordingly.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2021. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2022/23 to 2025/26 was considered by the Cabinet on 14th December 2021.

Background

3. The MTFS is set out in the report to Cabinet on 14th December 2021, 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.
4. Reports such as this one have been presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process on the 11th February 2022 before recommending an MTFS, including a budget and capital programme for 2022/23, to the County Council on the 23rd February 2022.

Service Transformation

5. The functions delivered by the Chief Executive's Department play critical roles in supporting transformation and the Department takes the corporate lead on developing and delivering the Strategic Plan and the Communities Strategy.

The work of the Chief Executive's Department includes: Legal Services, Democratic and Civic and Member Support, Strategy and Business Intelligence (including Resilience, Communities and Economic Growth), Planning and the Historic and Natural Environment and Regulatory Services which includes Trading Standards, Registration and Coronial services.

6. The Department is co-ordinating the Council's response to Covid-19, EU Exit, and cases of Avian Influenza, through the involvement of Departmental Management Team (DMT) members, Heads of Service and many staff, including the partnership-funded Resilience Team. These incidents, together with other possible incidents (seasonal flu, floods, storms etc) are expected to place substantial demands on the Department for the rest of 2021/22 and into 2022/23. Regulatory Services and the Resilience Team have been especially involved (but with other sections also involved) and very actively committed to supporting the Council's continued response to Covid-19 challenges. Longer term recovery work will remain a priority for many years, including for the Economic Growth and Communities teams.

Proposed Revenue Budget

7. Table 1 below summarises the proposed 2022/23 revenue budget and provisional budgets for the next three years thereafter. The proposed 2022/23 revenue budget is shown in detail in Appendix A.

Table 1 – Revenue Budget 2022/23 to 2025/26

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Original prior year budget	12,458	12,725	12,455	12,050
Budget transfers and adjustments	-3	0	0	0
Add proposed growth (Appendix B)	360	5	-230	0
Less proposed savings (Appendix B)	-90	-275	-175	-200
Proposed/Provisional budget	12,725	12,455	12,050	11,850

8. Detailed service budgets 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.
9. The central contingency also includes provision for an annual 1% increase in the employers' contribution to the Local Government Pension Scheme based upon the 2019 triennial actuarial revaluation of the pension fund.
10. The total proposed expenditure budget for 2022/23 is £18.7 million with contributions from grants, fees and charges and other income sources totalling £6.0 million. The proposed net budget for 2022/23 of £12.7 million is distributed as shown in Table 2 below:

Table 2 - Net Budget 2022/23

	£000	%
Democratic Services and Civic and Member Support	1,589	12.5
Legal Services	2,562	20.1
Strategy and Business Intelligence	5,065	39.8
Emergency Management and Resilience	300	2.4
Regulatory Services	2,797	22.0
Planning, Historic and Natural Environment	481	3.8
Departmental Items	-69	-0.5
Total	12,725	100.0

Budget Transfers and Adjustments

11. Budget transfers (totalling a net decrease of £3,000) were made during the 2021/22 financial year.
12. Growth and 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
13. This star rating is included in the descriptions set out for growth and savings below.
14. Savings have also been highlighted as 'Eff' or 'SR' dependent on whether the saving is seen as an efficiency or service reduction or a mixture of both. 'Inc' denotes those savings that are funding related and/or generate more income.

Growth

15. Details of proposed growth are set out in Appendix B and provide for an additional £0.1 million per annum by 2025/26. These are described in the following paragraphs.
16. *G20: Connectivity (Broadband) Team - formalise revenue funding; £5,000 in 2022/23, £5,000 in 2023/24 reducing to -£220,000 in 2024/25

This growth bid formalises the funding of the Connectivity (Broadband Team), which has historically been offset against future expected gainshare returns.

Formalising the revenue funding of the team to 31 March 2024 will provide greater flexibility in relation to the deployment of future gainshare income. However, potential sources of external funding for the team will continue to be explored alongside funding for the infrastructure.

17. G21: Midland Engine subscription; £20,000 in 2022/23

The County Council is part of the Midland Engine and there is an annual subscription towards this organisation. There is currently no budget provision for this and in previous years it has been funded from underspends in the Department.

The Midlands Engine Partnership is comprised of public sector partners and businesses with the objective of generating added value for the whole of the Midlands and its communities. The partnership is focused on increasing productive economic growth and improving the quality of life for every part of the region.

18. G22: Coroner's Service - additional costs from Leicester City due to increase in number of cases; £80,000 in 2022/23

Growth is required to provide an increase to the revenue budget of the Coroner's Service, which has seen a significant increase in costs due to the rising number of cases brought to the Coroner for review. The amount requested is based on the increased costs of Coronial support across the service, including a greater need to utilise Assistant Coroners.

19. G23: Trading Standards - additional responsibilities placed on the service by the Government and an increase in demand for service delivery; £120,000 in 2022/23

The Trading Standards service requires additional staffing for the following reasons:

- There is a trading standards skills crisis across the service, and it is increasingly difficult to recruit to qualified positions. The recruitment of two additional regulatory compliance apprentices and a qualified trading standards practitioner will help alleviate this shortfall in the long term. Food safety enforcement is a particular area of concern and these apprenticeships will allow the service to 'grow our own' specialists.
- Post pandemic the service continues to experience high demand to deliver services across a wide range of areas, in particular, combatting unfair trading practices, responding to an increasing number of animal health incidents and supporting businesses through the provision of specialist compliance advice.

The Government continues to assign new enforcement responsibilities to trading standards services with only one area of responsibility receiving a grant allocation (food safety, "Natasha's Law"). The service also has significant Covid19 regulatory /enforcement duties.

20. G24: Carbon Reduction Programme; £135,000 in 2022/23

There is a requirement to coordinate the Council's activity in relation to the Green agenda and to provide direct support to the Lead Member for the Environment, ensuring political commitments are reflected in the Council's actions. As a result of the corporate commitment to the Green agenda, coupled with a growing complexity and breadth of activity in the programme, there is a need for additional resources, and these are best located within the Chief Executive's Department.

Savings

21. Details of proposed savings are set out in Appendix B and total £0.7 million by 2025/26. These are detailed in the following paragraphs.

22. **CE1: SR/Eff Staffing (Vacancy control and agency costs); £50,000 in 2023/24 rising to £100,000 in 2024/25

All vacancies are scrutinised via the Department's recruitment and expenditure board assisted by advice from Corporate Resources and HR Business support. Where there is a vacancy, there is generally a time lag between the postholder leaving and a new appointee starting, which will contribute to the savings.

The Department is reliant on using Agency staff at times for certain posts due to a shortage of skills within the marketplace. This applies especially in Regulatory services, Legal services and Planning Historic and Natural Environment. Stricter controls are being applied to this through scrutiny via the board. It is also expected that the recruitment incentive packages will assist in making the council more competitive in the marketplace as an employer. The impact of the pandemic and home- working has also extended the geographic pool of potential candidates for appointment which it is expected will assist the department to avoid costly agency placements.

23. *CE2: Inc Planning, Historic and Natural Environment - Fee Income; £25,000 in 2022/23 rising to £75,000 in 2024/25

The increased planning application fees targets have been set based on recent years' income trends, which show a steady increase in planning application fees income. The first six months of 2021/22 suggest a significant reduction in planning application fees income (believed to be related to Covid -19 implications) but it can be expected that, as the economy recovers, high income-generating planning applications will be submitted once again in the 2022/23 financial year.

It is expected that there will be a national review of planning application fees but at present no date has been set for this. Based on the frequency of previous reviews, it is estimated that this may take place in 2023.

24. CE3: Eff Review of Legal Case Management and New Ways of Working; £200,000 in 2023/24 rising to £500,000 in 2025/26

A review of case work systems and processes is being undertaken in Legal Services in partnership with Newton Europe assisted by colleagues in the Transformation Unit. The purpose of the review is to identify efficiencies and the focus of the review is in connection with the creation of a budget within Legal Services to cover externalisation of legal work, reviewing how, when and why work is externalised and how it may be more efficiently delivered in house and so provide savings to this budget.

The review is expected to report in the new year and the outcome will be used to inform efficiencies across the department through sharing knowledge and good practice. The anticipated savings will arise from 2023/24 onwards. It is likely that the work will identify that Legal Services will require a replacement case management system.

25. CE4: Eff LGA subscription saving; £65,000 in 2022/23

Cabinet, at its meeting in March 2021, agreed that the County Council would resign its membership of the Local Government Association and that its subscription fee be used to fund additional highways maintenance activity.

Savings Under Development

26. Corporate Reviews

The Strategy and Business Intelligence (SBI) service provides a range of services which support and interact with services provided in the Council's other departments. In each of these areas there is good collaboration between SBI and departments but also scope to improve existing working arrangements to avoid potential duplication, improve practice and efficiency and potentially realise savings.

27. Increased Income

Increase in charges in respect of authorised legal work undertaken for external bodies e.g. Leicestershire Fire & Rescue Service and Academy Trusts within Leicestershire; in respect of legal work undertaken in connection with new development e.g. s106 and s38/278 Highways Act agreements and miscellaneous matters that can be charged for e.g. Highway Licenses. Other areas of the department, such as Trading Services, Planning and Democratic Services will also be reviewed to see what scope there is for charging other bodies for services provided.

28. Coronial Services

Potential efficiencies could occur from a different operating model for coronial services in the future following the retirement of HM Coroner for Leicestershire North and Rutland and the proposed merger of the coronial jurisdiction with Leicester City and Leicestershire South. This is at an early stage and is subject

to external procedures operated by the Chief Coroner, the Lord Chancellor's Department and Ministry of Justice.

External Influences

29. The Department will continue to support the Council's response to the Covid-19 pandemic, which will place additional pressure on business as usual and the Communities, Resilience, Trading Standards, Coroner's and Legal services sections.
30. Following the UK's departure from the EU and the end of the transition period, Trading Standards and Legal Services there is potential for a significant increase in the demand for their services as there is a need to apply retained EU law and new UK provisions which may impact on the achievement of the MTFS in 2022/23 and beyond. There may also be implications for the work of the Resilience Team and the Economic Growth Team.
31. It is expected that a Levelling Up White Paper will be published in 2022 which is likely to create additional demand on most sections of the Department.
32. All the services delivered by Legal, Trading Standards, Coroners and Registrars are demand led. The expected growth in the local population, coupled with the increase in the average age of residents, will increase the demand on certain services. Consumer fraud is on the increase, which will place more demand on Trading Standards to tackle scams and other forms of financial crime.
33. The planning fee income will be subject to any national guidance or regulations that may be issued in due course. Whilst all sections in the Department will be affected by the general economic position, there is the potential that this will impact the Planning, Historic and Natural Environment most significantly if there is a continuing downturn in development.
34. Increases in Legal Services fee income are limited to the rules that apply to an in-house local authority legal department to the effect that charges imposed are to recover costs and not make a profit. Accordingly, existing notional hourly rates for the Council's professional legal staff will be reviewed. Legal Services is also restricted in its ability to undertake traded work with non-council clients requiring Regulatory Body approval. Legal Services will monitor any relaxations in restrictions to be able to explore this opportunity further. In the meantime, it will promote its expertise and availability through the 'buy- back' scheme it operates to provide legal advice and support to Leicestershire academy trusts and schools.

Other Funding Sources

35. For 2022/23, the following Government grant is expected:

The Local Reform and Community Voices Grant (£294,000 in 2021/22) provides funding to support 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 (ICAS) provides support to people who wish to make a complaint about the service they have received from the NHS. The level of funding has yet to be confirmed for 2022/23.

Capital Programme

36. The Chief Executive's Department capital programme totals £0.1 million in 2022/23 and £0.7million over the next four years. Details are provided at Appendix C and in the following paragraphs.

37. **Shire Community Solutions Grants**

The funding requested is to continue the capital scheme at the present level of funding of £0.1 million per year. There is also an annual revenue budget of £0.35 million per year in the current MTFs. The Shire Community Grants scheme provides funding to voluntary and community sector organisations for projects supporting implementation of the Communities Strategy, in particular the support of vulnerable and disadvantaged people and communities. Providing support to these communities in the form of grant funded projects should also reduce demand for Council services in the longer term.

38. **Legal Case Management System**

Dependent on the outcome of the review of case management and ways of working, there is likely to be a requirement for a new case management system to enable better case management and data analysis. £250,000 has been included in the capital programme subject to a business case. The current system is not meeting the needs of the service. A new system will allow greater understanding of case load per lawyer and cost per case as well as the opportunity to streamline processes and maximise the use of standard and template material where possible. The system will need to include a case bundling system as at present this is time and labour intensive, reliant on a software package that is not compatible with the current system. The system will also need to allow the continued use of electronic case filing systems to avoid a return to paper files.

Equality and Human Rights implications

39. Public authorities are required by law to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between people who share protected characteristics and those who do not; and
- Foster good relations between people who share protected characteristics and those who do not.

40. Many aspects of the County Council's MTFs may affect service users who have a protected characteristic under equalities legislation. An assessment of the impact of the proposals on the protected groups must be undertaken at a formative stage prior to any final decisions being made. Such assessments will be undertaken in light of the potential impact of proposals and the timing of any

proposed changes. Those assessments will be revised as the proposals are developed to ensure decision makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic.

41. Proposals in relation to savings arising out of a reduction in posts will be subject to the County Council Organisational Change policy which requires an Equality Impact Assessment to be undertaken as part of the action plan.

Background Papers

Cabinet 14 December 2021 - Medium Term Financial Strategy 2022/23 to 2025/26
<http://politics.leics.gov.uk/documents/b17344/Item%204%20-%20MTFS%20-%20Supplementary%20Report%20Tuesday%2014-Dec-2021%2014.00%20Cabinet.pdf?T=9>

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None.

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Appendix B – Growth & Savings 2022/23 – 2025/26

Appendix C – Capital Programme 2022/23 – 2025/26

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