

Report to the Deputy Leader
Report submitted by: County Treasurer
Date: 6 February 2015

**Part insert I or II - Item
No. insert number**

Electoral Division affected:
Insert which Division(s) or
'All' or 'None'

**The 2015/16 Revenue Budget – Turning the Service Offers Revenue Budgets
into Cash Limits which Reflect the New Organisational Structure**

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Executive Summary

Cabinet, at its meeting on the 5 February 2015, agreed its 2015/16 budget proposals to be considered by Full Council on 12 February 2015. The Cabinet's proposals are framed with service offer proposals, which set out what will be delivered within the financial envelope, and what will change. The service offers have largely been constructed on the current budget structure, with services grouped together to form a larger, coherent service offer.

The resources attached to each service offer have been considered by Cabinet at a very high level, and it is imperative that these now reflect the organisational management structure. Cabinet delegated authority to the Deputy Leader, in consultation with the County Treasurer, to agree the translation of the service offer proposals into the Council's new organisational structure, therefore ensuring proper, aligned, accountability and responsibility for the provision of services and the use of resources.

Recommendation

The Deputy Leader is asked to consider the report, and agree the allocation of the 2015/16 revenue budget in line with the organisational structure, in order that this can be presented with Cabinet's revenue budget proposals to Full Council on 12 February 2015.

insert if applicable - This decision should be implemented immediately for the purposes of Standing Order 34(3) as any delay could adversely affect the execution of the County Council's responsibilities. The reason for this is (further guidance or advice can be obtained from Democratic Services) - please delete this instruction if not applicable

Background and Advice

1. Background

Over the past few months, the Cabinet has considered service offer proposals and will formally recommend them to Full Council at the Cabinet meeting on the 5 February 2015. The service offers have largely been constructed on the current budget structure, with services grouped together to form a larger, coherent service offer.

The resources attached to each service offer have been considered by Cabinet at a very high level, and it is imperative that these now reflect the organisational management structure, so that budget managers within the organisation are clear as to the services they are responsible for, and the resources that they control.

To achieve this, significant work has been undertaken (this is set out in section 2 below). However, in addition, in order to ensure the budget sits within the governance framework of the Council, Full Council must agree the revenue budget

on the same basis as it will be managed and officers will be accountable – in accordance with the new organisational structure.

This report sets out the process that has been followed to move from service offer to budgets which reflect the Head of Service structure, and the outcome in terms of the Council's budget framework.

2. The Process to Move from Service Offer Totals to Budgets which reflect the Organisational Structure

The process for developing the 2015/16 budget has followed two distinct, but interlinked streams.

Firstly, the work over summer developed the resource envelope for service offers, which took into account at service offer level, the changes to the Council's financial position as a result of inflation etc. as well as the savings to be achieved.

Alongside this, the usual budget process has continued whereby the finance teams have worked with service colleagues to review the 2014/15 revenue budgets and ensure that all inflationary pressures and demand pressures are identified, and form part of the budget decision making process. This ensures that the Council is not placed at risk by facing costs which have not been identified.

In addition, it is important that all savings proposals are mapped against the correct budget, so that financial accountability and responsibility are aligned, and it is clear where savings will be made.

This detailed budget process has followed the current budget structure, to ensure full capture of the Council's financial position, at the most detailed level. This is business as usual within the budget process.

Over the past month, a significant review process has been undertaken to map the detailed revenue budgets against the service offers, and to map the service offers to new organisational structure at Head of Service level and above. It should be noted that this will not prevent the delegation of budget responsibilities further down the organisation.

This work has required the review of @ 17,500 budget lines to ensure that all budgets are mapped to both the service offer and the new Head of Service management structure. It is important to stress that this is taking different views of the same financial information, and is a vital stage in ensuring the robustness of the revenue budget for 2015/16.

The Finance Service has worked closely with the Management Team in completion of this detailed review and has resulted in each member of the Management Team signing off the detailed budget mapping of the current budget structure to the new organisational structure, for those budgets for which they are currently responsible. As part of the detailed review undertaken, there are a number of issues that result in a change from the published service offer figures.

It is important to stress that these issues reflect the need to get financial information in the right place, **and no issue affects the service offer to be delivered.**

- Inflation (£4.7m)

Inflation was allocated at a high level across service offers, and the detailed review has ensured that it is correctly allocated to the individual budget code, which when grouped together at service offer, results in a change to the service offer totals.

- Pension adjustments (Removal of 1% increase previously included - £4.2m)

As inflation, the pension adjustments were allocated at a high level across service offers, and the detailed review has ensured that it is correctly allocated to the individual budget code, which when grouped together at service offer, results in a change to the service offer totals.

- In year virements between different services within the revenue budget (@ £14.5m)

We have identified a number of virements between services which were not incorporated in the service offers, as they occurred after the publication of the initial service offer information. These have been reviewed in detail, and reflect the correct allocation of expenditure across services. These vary from the transfer of £11k to reflect the funding of a new apprentice within the Environment Directorate, to a movement of the in-house residential unit budget within Children and Young People's Directorate to remove the financial commissioner/provider split that was resulting in significant internal recharges. A further example is the budget virements made to bring the business intelligence service together.

- A £14.8m movement between service offers to reflect the revised waste arrangements which places the borrowing costs within the financing charges budget rather than the waste budget

- A review of the budget arrangements for services within Lancashire County Commercial Group, as the financial arrangements arising from the previous Compulsory Competitive Tendering regime had been maintained, and as such, treated as an "external" organisation, with charges made to LCCG for areas such as County Buildings, County Treasurers, ICT, internal overheads (LCCG HQ) and depreciation, which is very different to other services. As part of a thorough examination of these budgets, adjustments have been made to ensure they are budgeted for on a consistent basis with other services and to strip out the "playing shops" that this has generated. This has a £7m impact.

- The allocation of the "ASHW Contingency" service offer of £13.3m – this service offer was purely made up of savings and reflected the savings to be generated from the external review of social care. We have now allocated these savings against the service budgets where it is considered they will be generated from. This places the delivery of savings against service budgets, which was critical as

savings will be delivered from this in 2015/16. This has been done in conjunction with the Executive Director.

- As part of the detailed review undertaken, further analysis has identified areas where expenditure and income had been "netted off". It is appropriate accounting for both income and expenditure to be shown separately, thereby providing a transparent view of the councils spending and resources. This has a £30m impact and is largely in relation to the Schools PFI, Public Transport and financing charges.

There are also some minor changes which reflect expenditure and income identified as against the wrong service offer, for example children and young people small grants (£271k).

3. The 2015/16 Revenue Budget within the new organisational structure

Annexe A sets out the 2015/16 Revenue Budget shown in the new Organisational Management Structure – this presents the total revenue budget allocated to new Heads of Service.

It should be noted that all corporate spending, such as levies, pensions, subscriptions and items in the strategic budget are shown separately. Whilst there will be an accountable officer for this budget area, it is important to distinguish between the cost of the service, and corporate expenditure for which a head of service has responsibility.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

This report is a key part of the Council's financial governance, ensuring appropriate financial accountability of the Council's resources across the management structure.

List of Background Papers

Paper	Date	Contact/Directorate/Tel
Budget Working Papers	December 2014 to February 2015	Kate Lee / County Treasurer's Directorate 01772 531733

Reason for inclusion in Part II, if appropriate

N/a

2015/16 Revenue Budget Shown in the New Organisational Structure

	2015/16		
	Gross Budget (The amount we will spend) £m	Income (The amount we expect to receive) £m	Net The cost to the County Council) £m
(Note: HoS refers to the Head of Service within the structure)			
Chief Executive	0.237	0.000	0.237
HoS Communications	1.490	(0.022)	1.468
Director Lancashire Pension Fund Investment Management	0.101	(0.131)	(0.030)
HoS Policy & Compliance	0.702	(0.896)	(0.194)
HoS Your Pension Service	0.125	(0.166)	(0.041)
	2.895	(4.450)	(1.555)
HoS Customer Access	4.666	0.000	4.666
Corporate Director Operations and Delivery	0.162	0.000	0.162
Director Children's Services	0.968	(2.849)	(1.881)
Deputy Director Children's Services	0.116	0.000	0.116
HoS Safeguarding, Inspection and Audit	4.603	(0.019)	4.584
HoS Safeguarding, Inspection and Audit (Outside Scope)	0.372	(0.197)	0.175
HoS Children Social Care	53.126	(1.096)	52.029
HoS Adoption Fostering & Residential YOT	28.489	(2.780)	25.708
HoS Special Educational Needs and Disability	16.139	(0.664)	15.476
HoS Special Educational Needs and Disability (Outside Scope)	4.620	(2.900)	1.720
HoS School Improvement	8.333	(0.854)	7.478
HoS School Improvement (Outside Scope)	5.562	(5.780)	(0.218)
HOS Traded Services (Start Well)	24.858	(25.973)	(1.115)
HOS Traded Services (Start Well) (Outside Scope)	16.658	(19.252)	(2.594)
Director Adult Services	0.144	0.000	0.144
HoS Safeguarding	2.843	(0.176)	2.667
HoS Social Care Services (Adults)	367.475	(107.822)	259.652
HoS Older People	16.311	(8.570)	7.741
HoS Disability	27.715	(3.645)	24.069
Director Community Services	0.115	0.000	0.115
HoS Highways	75.407	(44.157)	31.250
HoS Public & Integrated Transport	76.267	(20.655)	55.612

	2015/16		
	Gross Budget (The amount we will spend) £m	Income (The amount we expect to receive) £m	Net The cost to the County Council) £m
(Note: HoS refers to the Head of Service within the structure)			
HoS Waste Management	87.920	(17.698)	70.221
HoS Libraries, Museums, Culture & Registrars	20.065	(4.899)	15.165
Director Public Health and Wellbeing	1.338	(0.095)	1.244
Deputy Director Public Health	0.533	0.000	0.533
HoS Wellbeing, Prevention and Early Help	84.698	(9.809)	74.889
HoS Health Equity, Welfare & Partnerships	5.836	(3.120)	2.716
HoS Patient Safety & Quality Improvement	2.676	(0.305)	2.371
HoS Emergency Planning & Resilience	0.845	(0.179)	0.666
HoS Trading Standards & Scientific Services	4.275	(1.191)	3.083
Director of Development and Corporate Services	0.118	0.000	0.118
Director Economic Development (including HoS Business Growth, HoS Strategic Economic Development, HoS LEP Coordination)	1.809	0.000	1.809
Director Programmes and Project Management	0.115	0.000	0.115
HoS Health & Care Systems Development	0.643	(0.472)	0.171
HoS Programme Office	1.449	(0.023)	1.426
HoS Planning and Environment	4.719	(1.501)	3.218
HoS Estates	1.891	(0.868)	1.024
HoS Design and Construction	24.564	(19.726)	4.838
HoS Skills, Learning and Development	14.402	(13.185)	1.217
Director Corporate Services	0.114	0.000	0.114
HoS Human Resources	2.344	(2.297)	0.047
HoS Facilities Management	6.150	(2.197)	3.953
HoS Core Business Systems/Transformation	30.474	(16.350)	14.124
Corporate Director Commissioning & Deputy Chief Executive	0.158	0.000	0.158
Coroners Service	2.151	0.000	2.151
Director of Governance, Finance & Public Services	0.142	(0.000)	0.142
Director Financial Resources	0.101	0.000	0.101
HoS Office of the Police and Crime Commissioner Treasurer	0.080	(0.097)	(0.017)

	2015/16		
	Gross Budget (The amount we will spend) £m	Income (The amount we expect to receive) £m	Net The cost to the County Council) £m
(Note: HoS refers to the Head of Service within the structure)			
HoS Financial Management (Development and Schools)	1.642	(1.572)	0.070
HoS Financial Management (Operational)	3.040	(0.682)	2.358
HoS Corporate Finance	1.463	(0.332)	1.131
HoS Exchequer Services	5.513	(0.623)	4.890
Director Corporate Commissioning	0.144	0.000	0.144
HoS Policy, Information & Commissioning (Start Well)	0.487	(0.077)	0.410
HoS Policy, Information & Commissioning (Live Well)	2.087	(0.166)	1.921
HoS Policy, Information & Commissioning (Age Well)	0.887	0.000	0.887
HoS Area Public Service Integration	0.253	0.000	0.253
HoS Procurement	2.666	(1.082)	1.584
HoS Asset Management	3.469	0.000	3.469
Director Legal, Democratic and Governance	0.101	0.000	0.101
HoS Legal and Democratic Services	10.221	(0.571)	9.650
HoS Internal Audit	0.881	(0.172)	0.709
<u>Non Service Issues for Corporate Budgets</u>			
Subscription & Fees	0.570	0.000	0.570
Corporate	22.183	(22.149)	0.034
Pension Liability	30.841	0.000	30.841
Financing Charges	64.803	(18.400)	46.403
<u>Large Specific Grants used to Support the Authority</u>			
Public Health Grant	0.000	(59.801)	(59.801)
Education Support Grant	0.000	(16.434)	(16.434)
Other	0.000	(0.181)	(0.181)
<u>Resources to be allocated to New Services as structures below Grade 11 are developed</u>	4.844	(0.222)	4.623
2015/16 Revenue Budget	1,196.206	(469.531)	726.675