

Business plan and budget 2013-14

Purpose of report

For review and direction.

Summary

Leadership Board is asked to provide a steer on the high level priorities for 2013/14, as the basis for the LGA's business planning process which is due to get underway over the autumn.

Alongside this, Leadership Board is asked to note the proposed budget framework for 2013/14 which will also be considered by Resources Panel this month.

More detailed work on proposed programmes and budgets will be undertaken with colleagues over the autumn in the light of the steer from members prior to a draft business plan and budget being presented to Leadership Board in January, and the proposed budget being reviewed in detail by Resources Panel in February. The final business plan for 2013/14 will be agreed by Executive in advance of the new financial year in March.

Recommendations

Leadership Board is asked to:

Review and agree the high level steer provided at **Appendix A**, as the basis for more detailed work on the business plan for 2013/14, and to decide whether Option 1 or Option 2 should be used.

Note the budget framework for 2013/14 at **Appendix B** prior to a more detailed budget being presented to Leadership Board with the business plan in January 2013 and to Resources Panel in February.

Action

Officers to action as set out in the report.

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Business plan and budget 2013-14

Introduction

1. This paper asks members for a steer on the high level priorities for 2013/14, as the basis for the LGA's business planning process.
2. While the proposed priorities are based broadly on the priorities agreed for this year, it is recognised that there is scope to bring our key messages into even sharper focus. Two options have been developed for members to consider: one which reduces the number of high level priorities from five to four, and the other which reduces the number of high level priorities to three.
3. Subject to the steer from Leadership Board, this will be developed over the coming weeks into a more detailed set of proposals with input from the LGA Boards and key stakeholders, including the regional LGAs. We will also be able to take account of the findings from the LGA's recently commissioned customer survey which will be available from December 2012.
4. The aim is to bring the next iteration of the business plan back to Leadership Board in January, prior to this being signed off with the annual budget at March Executive.
5. More detailed work on proposed programmes and budgets will be undertaken with colleagues over the autumn in the light of the steer from members, prior to a draft business plan and budget being presented to Leadership Board in January and the proposed budget being reviewed in detail by Resources Panel in February.
6. The final business plan for 2013/14 will be agreed by Executive in advance of the new financial year in March.

Background

7. The LGA's current strategy and business plan is captured in the following documents:
 - 7.1 The original RSG prospectus, setting out the outcomes to be delivered for the RSG topslice grant for the four years to 2014/15
 - 7.2 The 2012-13 business plan itself which identifies five high level priorities for the LGA:
 - 7.2.1 Public service reform
 - 7.2.2 Growth, jobs and prosperity
 - 7.2.3 Funding for local government

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7.2.4 Efficiency and productivity

7.2.5 Sector-improvement

and a sixth objective around the LGA's own effectiveness and efficiency.

7.3 The more detailed programme plans and budgets underpinning the business plan

7.4 The LGA's financial strategy to 2014/15 as agreed by Resources Panel.

Business Plan for 2013/14

8. The suggested approach to developing next year's business plan is to set out an initial high level proposition, explaining in broad terms how the LGA's work will be positioned in 2013/14. This aims to build on the key messages that have recently been developed and present a coherent offer to councils by making clear the linkages between the different parts of the offer. We are in a good position to show for next year's business plan how our thinking in relation to each of the priorities has moved on in the light of work undertaken by the LGA during 2012/13 and also external developments.
9. It is recognised that the high level priorities identified for 2012/13 are still broadly relevant for 2013/14 and that there is value in having a settled set of priorities for the organisation, particularly at this stage in the political cycle.
10. However, over the last year we have developed a stronger narrative about our strategy and priorities, in particular making explicit the connection between growth, local government funding and public sector reform. This reflects the recent discussion between the LGA Group Leaders and the LGA Board Chairs, on the need to ensure that the LGA Boards focus on the LGA's overall priorities in their work and increasingly to work in a cross-cutting way to ensure maximum impact.
11. Two options, included at **Appendix A**, have therefore been developed, for members to consider:

Option 1: This presents four priorities – Growth, Funding, Public Service Reform, and Sector-Led Improvement – with the Efficiency and Productivity theme being merged mainly into Public Service Reform.

Option 2: This brings our priorities into even sharper focus, by presenting three priorities – Growth, Funding and Public Service Reform – with Sector-Led Improvement being presented as our on-going core offer, rather than a priority in its own right.
12. The aim at this stage is for members to agree the high level steer, as suggested at Appendix A, and for this to be used as the basis for more detailed work over the coming weeks on more detailed programme and budget proposals by the LGA boards and more widely across the LGA. This summary would also be used to involve key external stakeholders such as the regional LGAs in a dialogue about our priorities for 2013/14.

Allocation of Resources

13. Leadership Board is asked to note the outline budget at **Appendix B** that is being presented to Resources Panel this month. The proposal is that the budget allocation for 2013/14 should be broadly in line with this year's budget, given that income is steady, and given the commitment to running as far as possible with the current staffing structure following the upheaval of last year.
14. More detailed work will be undertaken on the budget over the coming weeks as the business plan is worked up in more detail and in particular as programme proposals are developed.
15. The final budget will be subject to any staffing and other changes that SMT recommends to enable the LGA to deliver its priorities in 2013/14 – for example developments with the Liberata contract and also the ICT strategy. The final budget in support of the business plan will be signed off by Resources Panel in February prior to both being agreed by the LGA Executive in March, before the start of the new financial year.

Beyond 2013/14

16. While the LGA's funding base is certain for the next two and half years, the position is less certain from 2015/16 when RSG topslice will need to be renegotiated. A number of different financial scenarios are currently being worked up which will be shared with members over the coming months, to inform the LGA's negotiation with CLG on the continuation of top-slice funding from 2015/16.

**2013/14 Business Plan - initial proposition
Option 1**

Our top priorities for local government are:

- *Growth, jobs and prosperity* – councils are recognised as central to economic growth
- *Funding for local government* – reform of the public sector finance system so councils raise more funds locally, have confidence that their financing is sustainable and fair, and greater ability to co-ordinate local public services
- *Public service reform* – councils are at the centre, and seen to be at the centre, of public service reform and delivering more effective services for local people
- *Sector-led improvement* – councils are the most improved part of the public sector, and local politicians and senior managers lead the transformation of local places.

These priorities are as important now as they were a year ago when we first signed up to them. We will ensure all our work, including that of each of the LGA's policy boards, focuses on them and that as a result of our collective efforts, councils have the right system of funding and the right powers to get the UK economy back into growth and to support local services.

Growth, jobs and prosperity – councils have a key role to play in driving economic growth and promoting consumer and business confidence. Over the last year we have been focusing on this agenda, through our local growth campaign, including our work on housing and planning, and infrastructure funding. We have demonstrated that councils have a key role to play in targeting investment and economic development activity to boost local economies and create jobs. It is also clear that councils are ambitious to do more but lack the economic levers and control over funding necessary to lead growth locally. Our work so far has involved lobbying for devolution of powers and funding streams on issues such as skills, transport, investment in housing and broadband. We are working with councils on green growth and the visitor economy. We have also been pressing for the powers devolved through city deals to be rolled out to a greater number of places. We are about to enter a phase of lobbying to fight proposed reforms that threaten to undermine local decision making on planning. Moving forward, there is a need to develop a strong and convincing case for local economic leadership, to influence spending decisions and manifestos in the lead up to the general election. With that in mind, we have commissioned research designed to set out new options for the future as to how councils can support growth, new jobs and wealth creation.

Funding for local government - councils were cut earlier and harder than the rest of the public sector as the government began to implement its deficit reduction policy. Last year we developed a model for the next decade which shows all future sources of council revenue against future service spending demand. Our model shows a likely funding gap of £16.5 million a year by 2019/20 or a 29 per cent shortfall between revenue and spending pressures. Assuming that social care and waste are fully funded, other services face cash cuts of over 66 per cent. If capital financing and concessionary fares are also funded in full, the cash cut for remaining services rises to over 90 per cent. Local government has a track

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record of being the most efficient part of the public sector. But our model shows that efficiency is not going to be enough. Future sustainability starts with reform of adult social care funding, allowing a proper dialogue with residents about the local taxes they pay, and simply cutting out services that can no longer be afforded. These are therefore the issues we will be working on with councils over the coming year. Above all else, residents and local businesses need councils to have a fair and simple funding system that gives greater financial autonomy, supports local services and encourages economic growth.

Public service reform – the scale of the public spending cuts mean that a fundamental and ambitious rethink is needed to the way local services are funded and organised. The costliest and most intractable public service issues are almost without exception shared among a number of local agencies. Many councils are already working with other public sector organisations on this and the Whole-Place Community Budget pilots in particular will provide the evidence for radical change. From these experiences we are developing a picture of the council of the future and local public services more generally. We are focusing on new solutions such as demand management and behaviour change, with services increasingly designed round the needs of individuals. We will also provide support with generating new income streams and new approaches to commissioning, building on the work we have been doing with councils in the main areas of spend - children, adults and families - and also procurement and capital and assets. We are lobbying to ensure that other reforms such as the transfer of public health to local government, and changes to the planning system, make the most of councils' local leadership role across all public services in the interests of citizens. In the area of workforce reform we will negotiate to deliver national agreements that are seen as fit for purpose by councils along with a reformed pension scheme. without further serious industrial disruption or significant opt out rates. Alongside this, we will continue to work with councils to develop practical advice and guidance on the workforce challenges they face.

Sector-led improvement – there is real momentum around sector-led improvement. Since 2011 we have moved away from top-down performance management and inspection, with the government welcoming our proposals. Councils have proved they are able to take responsibility for their own performance and for leading the delivery of improved outcomes for local people in their area. Through the work of the LGA, councils are also demonstrating collective responsibility for the performance of local government as a whole by sharing best practice and providing peer support. Councils are increasingly using the support we have offered and new approaches to improvement are being delivered in children's services and in adult social care. Over the course of 2013/14 we will build on this foundation as we continue with our offer of a free peer challenge to every council. We will also continue to invest in the leadership programmes which have already provided opportunities for hundreds of politicians, equipping them to deal with the challenges being faced by their councils. We will ensure local government is able to exploit innovation and emerging good practice where there is a significant financial gain or service improvement. We will therefore continue to capture and share innovative practice as councils develop fundamentally different solutions in response to the public spending cuts. We will also provide direct practical support to help them improve efficiency and productivity.

**2013/14 Business Plan - initial proposition
Option 2**

Our top priorities for local government are:

- *Growth, jobs and prosperity* – councils are recognised as central to economic growth
- *Funding for local government* – reform of the public sector finance system so councils raise more funds locally, have confidence their financing is sustainable and fair, and greater ability to co-ordinate local public services
- *Public service reform* – councils are at the centre, and seen to be at the centre, of public service reform and delivering more effective services for local people

These priorities are as important now as they were a year ago when we first signed up to them. We will ensure all our work, including that of each of the LGA's policy boards, focuses on them and that as a result of our collective efforts, councils have the right system of funding and the right powers to get the UK economy back into growth and to support local services.

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simply cutting out services that can no longer be afforded. These are therefore the issues we will be working on with councils over the coming year. Above all else, residents and local businesses need councils to have a fair and simple funding system that gives greater financial autonomy, supports local services and encourages economic growth.

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Underpinning all of this is our core offer to councils which is driven by our belief that councils – not government – should be responsible for their performance and leading the delivery of improved outcomes for local people in their area.

We have come a long way since we published "Taking the Lead" in 2011. The government welcomed our proposals and there is now a real momentum around sector-led improvement. Councils are using the support we have offered and new approaches to improvement are being delivered in children's services and adult social care as an alternative to top-down performance management and inspection. Through the work of the LGA, councils are demonstrating collective responsibility for the performance of local government as a whole by sharing best practice and providing peer support.

Our offer includes

- at no cost, a corporate **peer challenge** to every council, including a core component looking at issues of leadership, corporate capacity and financial resilience
- **leadership programmes** which have already provided opportunities for hundreds of politicians, equipping them to deal with the challenges being faced by their councils
- support to help councils with capturing and **sharing innovative practice** through our Knowledge Hub, a free web-based service providing a single window to improvement in local government

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- access to transparent and **comparable performance information** through LG Inform
- **sector-led improvement programmes in children's and adults services** developed and delivered through the Children's Improvement Board and the Towards Excellence in Adult Social care Board
- **direct support** where councils are facing significant underperformance challenges
- practical support to help councils improve **efficiency and productivity**.