



Meeting: **Scrutiny Commission**

Date/Time: **Monday, 28 January 2019 at 10.00 am**

Location: **Sparkenhoe Committee Room, County Hall, Glenfield**

Contact: **Mrs R Whitelaw (Tel: 0116 305 2583)**

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Membership

Mr. S. J. Galton CC (Chairman)

Mr. P. Bedford CC	Mr. J. Morgan CC
Mr. D. C. Bill MBE CC	Mrs. R. Page CC
Mr. M. H. Charlesworth CC	Mr. A. E. Pearson CC
Dr. T. Eynon CC	Mr. T. J. Richardson CC
Dr. R. K. A. Feltham CC	Mrs B. Seaton CC
Mrs. H. J. Fryer CC	Mr. M. B. Wyatt CC

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– Notices will be on display at the meeting explaining the arrangements.**

AGENDA

<u>Item</u>	<u>Report by</u>
1. Minutes of the meeting held on 15 January 2019.	(Pages 5 - 16)
2. Question Time.	
3. Questions asked by members under Standing Order 7(3) and 7(5).	
4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.	
5. Declarations of interest in respect of items on the agenda.	



6. Declarations of the Party Whip in accordance with Overview and Scrutiny Procedure Rule 16.
7. Presentation of Petitions under Standing Order 36.
8. Medium Term Financial Strategy 2019/20 to 2022/23 - Context Setting and Overall Position. Director of Corporate Resources

The Director of Corporate Resources will provide an oral update for this item.

Mr. N. J. Rushton CC, the Leader of the Council, and Mr. J. B. Rhodes CC, the Deputy Leader and Cabinet Lead Member for Finance and Resources, have been invited to attend for the Medium Term Financial Strategy (MTFS) items.

A copy of the full MTFS Report and appendices considered by the Cabinet on 18 December 2018 is attached for Commission members only on PINK paper.

9. Medium Term Financial Strategy 2019/20 to 2022/23 - Chief Executive's Department. Chief Executive and Director of Corporate Resources (Pages 17 - 32)
10. Medium Term Financial Strategy 2019/20 to 2022/23 - Corporate Resources and Corporate Items. Director of Corporate Resources (Pages 33 - 54)
11. Medium Term Financial Strategy 2019/20 to 2022/23 - Consideration of Responses from Overview and Scrutiny Committees. Director of Corporate Resources

The purpose of this item is to enable consideration of the responses of the following Overview and Scrutiny Committees to their respective areas of the Medium Term Financial Strategy:

- Health Overview and Scrutiny Committee (meeting held: 16 January)
- Environment and Transport Overview and Scrutiny Committee (meeting held: 17 January)
- Adults and Communities Overview and Scrutiny Committee (meeting held: 21 January)
- Children and Families Overview and Scrutiny Committee (meeting held: 22 January)

12. Date of next meeting.

The next meeting of the Commission is scheduled to take place on 6 March at 10.30am

13. Any other items which the Chairman has decided to take as urgent.

QUESTIONING BY MEMBERS OF OVERVIEW AND SCRUTINY

The ability to ask good, pertinent questions lies at the heart of successful and effective scrutiny. To support members with this, a range of resources, including guides to questioning, are available via the Centre for Public Scrutiny website www.cfps.org.uk.

The following questions have been agreed by Scrutiny members as a good starting point for developing questions:-

- Who was consulted and what were they consulted on? What is the process for and quality of the consultation?
- How have the voices of local people and frontline staff been heard?
- What does success look like?
- What is the history of the service and what will be different this time?
- What happens once the money is spent?
- If the service model is changing, has the previous service model been evaluated?
- What evaluation arrangements are in place – will there be an annual review?

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Minutes of a meeting of the Scrutiny Commission held at County Hall, Glenfield on Tuesday, 15 January 2019.

PRESENT

Mr. S. J. Galton CC (in the Chair)

Mr. P. Bedford CC	Mrs. H. J. Fryer CC
Mr. D. C. Bill MBE CC	Mrs. R. Page CC
Mr. G. A. Boulter CC	Mr T. Parton CC
Dr. T. Eynon CC	Mr. T. J. Richardson CC
Dr. R. K. A. Feltham CC	Mrs B. Seaton CC

71. Minutes of the meeting held on 30 November 2018.

The minutes of the meeting held on 30 November 2018 were taken as read, confirmed and signed.

72. Minutes of the meeting held on 6 December 2018.

The minutes of the meeting held on 6 December 2018 were taken as read, confirmed and signed.

73. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

74. Questions asked by members under Standing Order 7(3) and 7(5).

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

75. Urgent Items.

There were no urgent items for consideration.

76. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

All members of the Commission who were also members of district or parish councils declared a personal interest in the report on proposals for a unitary structure of local government in Leicestershire (minute 79(a)-(e) refers).

77. Declarations of the Party Whip in accordance with Overview and Scrutiny Procedure Rule 16.

There were no declarations of the party whip.

78. Presentation of Petitions under Standing Order 36.

The Chief Executive reported that no petitions had been received under Standing Order 36.

79. The Development of a Unitary Structure for Local Government in Leicestershire.

(a) Financial Options Appraisal.

The Commission considered a report and presentation from the Director of Corporate Resources which set out the methodology used to calculate the savings arising from a unitary structure of local government for Leicestershire, drawing on the considerable evidence around the country of the savings achieved from establishing unitary councils. A copy of the report marked 'Agenda Item 9a' and the slides forming the presentation is filed with these minutes.

The Chairman welcomed Mr N J Rushton CC, Leader of the Council and Mr J B Rhodes CC, Deputy Leader and Cabinet Lead Member for Resources, to the meeting for this item.

Arising from discussion and questions the following points were raised:-

- (i) A few national commentators had suggested that a global recession was likely in the next few years. Locally, this would have an impact on both demand on council services and the financial position of the County Council.
- (ii) The analysis of the benefits of a unitary structure, compared to a shared services arrangement, had been undertaken using a management consultancy toolkit to provide a framework. The analysis focused on savings relating to overheads and management. It was not intended to undermine the democratic process or provide commentary on the quality of front line services in either structure.
- (iii) The benefits of a shared service model when compared to a unitary structure were limited. It would be unusual to have full alignment of priorities and approaches across eight organisations, meaning that compromises would have to be made which reduce the overall level of financial benefit. Governance arrangements were also like to be more complex, reducing the speed of implementation. This had been the case with the Lightbulb Programme.
- (iv) It was confirmed that the business case for a unitary structure of local government for Leicestershire would be externally reviewed by a well-known company with a good reputation in that area.
- (v) Some concern was expressed that the level of savings achieved by existing county unitary authorities, such as Wiltshire Council and Durham County Council, were smaller than that achieved by the County Council over the same period of time. However, the Commission was reminded that organisations tailored the level of savings that they needed to achieve to their funding envelope. For example

Baroness Scott, Leader of Wiltshire Council, had confirmed to the Commission that she had not had to consider closing libraries or children's centres because her Council could achieve a balanced budget without doing so. In addition, it was difficult to make a direct comparison between authorities because they all presented information differently. The saving proposals for a unitary authority for Leicestershire were in line with the savings made in the 2009 conversions and those proposed in recent business cases.

- (vi) In response to a query, the Leader of the Council advised that he had attempted to invite unitary authorities which were struggling financially to give evidence to the Commission but had not been successful. The Director of Corporate Resources advised that analysis of publicly available information indicated that only a small number of unitary authorities were in financial difficulties and these tended to be smaller in size and therefore unable to achieve economies of scale. Poor leadership and management was also a significant factor. In comparison, a far greater number of upper tier authorities were in financial difficulties; these difficulties also tended to be more serious.
- (vii) A member requested spreadsheets providing a more detailed breakdown of how the £30 million annual savings would be achieved by a unitary structure of local government for Leicestershire. The Cabinet Lead Member for Resources advised that officers had undertaken a management accounting exercise, rather than a financial accounting exercise, which involved looking at the overall picture, comparisons and estimates. The assumptions that had been made had been triangulated against other authorities that had already been through the transition to a unitary structure. There was therefore a good degree of confidence in the figures.
- (viii) In response to a concern regarding how the cost of implementation had been calculated and whether the savings would be realised as quickly as expected, the Leader of the Council reminded the Commission that the principle that a unitary authority would deliver substantial savings was sound. He was confident that the figures set out in the report were realistic. How the savings would be delivered and the speed at which they would be realised would be for the new authority to decide. He was of the view that it would be best to transition to the new council before deciding on the best way to transform services. All assets and liabilities would automatically transfer to the new council.
- (ix) In response to a query regarding the cultural services that would be provided by the new authority, the Leader of the Council confirmed that he anticipated no changes to service provision during the transition to a unitary authority. Once that authority was in place it would be able to look across the totality of cultural services currently provided by the County and District Councils and identify the best service offer for Leicestershire.
- (x) It was queried whether the projected level of savings in Members' Allowances could be achieved. Information from Wiltshire Council suggested that any savings realised in this area were negligible. The Commission was advised that, in calculating the savings, both County Council and district council expenditure needed to be taken into account. This area of savings had been calculated with a reasonable degree of certainty using publicly available information. In this regard it should be noted that savings assumed from Members' Allowances were a very small contribution to the overall savings projected.

- (xi) In response to a request for a definition of back office services, the Commission was advised that this was set out on page 132 of the report and in the table on page 134. Services which had direct contact with members of the public, including Revenue and Benefits services, had not been included.
- (xii) Some concern was expressed that the funding challenges facing statutory services such as adult social care could have a negative impact on the provision of non-statutory services. The Cabinet Lead Member for Resources reminded members that, whilst it would be a matter for the new authority, it would be in all members' best interests to protect and enhance services which were valued by the people of Leicestershire. It was suggested that the business case for a unitary authority could identify priority non-statutory services for investment and re-investment. The Cabinet Lead Member stated that the current funding position of the County Council, coupled with demographic pressures, made the protection of non-statutory services challenging. A move to a unitary structure of local government for Leicestershire would provide immediate relief and put the new authority on an upward trajectory. However, in the longer term national action was needed to halt and reverse the effects of austerity and improve the overall position for local government. He did not expect that the outcome of the fair funding review or the business rates retention pilot would be sufficient in this regard.

In concluding the debate, the Leader of the Council suggested that it was clear that, in financial terms, a unitary structure of local government was the best approach to ensuring that services remained sustainable.

RESOLVED:

That the report, presentation and information now provided be noted.

(b) Options Appraisal - Area Boards and Planning Governance Arrangements.

The Commission considered a report of the Chief Executive which provided detail information on the Area Board structures and planning governance arrangements established by Wiltshire Council and Durham County Council. A copy of the report marked 'Agenda Item 9b' is filed with these minutes.

The Chairman welcomed the Leader of the Council and the Deputy Leader and Cabinet Lead Member for Resources to the meeting for this item.

Arising from discussion and questions the following points were raised:-

General

- (i) The financial modelling for a unitary authority included a small amount of funding to support the Area Committee structure, although the model had not yet been fully costed. The views of the Commission regarding how the structure should be developed would be taken into account in the business case and the funding requirements would be revisited at this stage.
- (ii) There was general agreement to the proposal to separate the Area Committee structure from the Development Management (Planning) function. It was also recognised that any proposals put forward in the business case would be subject to public consultation and, where appropriate, co-design with local communities.

Area Committees

- (iii) The report to the Cabinet in October 2018 had not specified the number of Area Committees that would be needed, although it had suggested issues to be taken into account when designing the geographies. It would be essential to seek the views of local communities to ensure that the structure reflected local needs and identities.
- (iv) There was a general consensus that the Wiltshire model of Area Committees, which were formally constituted and had some delegated executive powers, would be a good starting point for developing a Leicestershire model. Only elected members were able to vote at the Area Committees in Wiltshire, although arrangements should be developed to enable the Committees to reach decisions by consensus based on the view of all participants. There was support for replicating this arrangement in the Leicestershire model, although it was felt that there should be an item on Area Committee agendas to enable the public to ask questions.
- (v) There was support for an Area Committee model where powers to determine minor highways schemes could be delegated. It was also suggested that the work currently undertaken by district Health and Wellbeing Boards could be picked up by the Area Committees.

Planning Governance Arrangements

- (vi) Planning policy, such as the development of the Local Plan was an executive function and final approval was required from the full Council. It would be possible and indeed helpful to involve local planning committees or even the Area Committees in the process and to seek their views on the proposals.
- (vii) A member expressed concern that currently major planning decisions were often ultimately determined by the Planning Inspectorate at a national level, where the local context was not taken into account. It was noted that moving to a unitary structure of local government for Leicestershire would not resolve this problem. However, a single, countywide Local Plan, which could only be developed by a unitary authority, would carry greater weight with the Government than the current structure of seven district level Local Plans.
- (viii) The model adopted by both Durham County Council and Wiltshire Council, of having a countywide strategic planning committee and local planning committees, was generally supported, although it was felt that further consideration was needed to the thresholds for where applications should be considered and the membership of the Committees to ensure that they were right for Leicestershire. Members welcomed the idea of the local planning committees meeting in their local areas and were keen to see as many planning applications determined locally as possible. It would also be important to use technology effectively to enable greater public access to meetings.

RESOLVED:

That the views of the Commission be taken into account in the development of the business case for a unitary structure of local government for Leicestershire.

[The meeting adjourned at 1.12pm and reconvened at 2.05pm.]

(c) Services in a Unitary Structure - Corporate Services

The Commission considered the appendices relevant to its remit in the report of the Chief Executive to the Cabinet on 16 October 2018 regarding the development of a unitary structure for local government in Leicestershire. These appendices set out the opportunities that a unitary structure could afford to corporate services. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

The Chairman welcomed the Leader of the Council, Mr N J Rushton CC, to the meeting for consideration of the appendices relating to Economic Growth and Development, and Regulatory Services and the Deputy Leader and Cabinet Lead Member for Resources, Mr J B Rhodes CC to the meeting for consideration of the appendices relating to Combined Property Services and Revenue Collection.

Arising from discussion and questions the following points were raised:-

Appendix F – Economic Growth and Development

- (i) Members advised that Oadby and Wigston Borough Council and Harborough Borough Council had retained their housing stock. The appendix had only specified Charnwood Borough Council, Melton Borough Council and North West Leicestershire District Council in this regard.
- (ii) The appendix suggested that a single choice based lettings system would be cheaper to administer than having a separate scheme for each district. However, members advised that Oadby and Wigston Borough Council had recently withdrawn from a choice based lettings scheme as it had wanted to change its criteria to match the stricter criteria that Leicester City Council had in place. In response to this it was suggested that a single unitary council would be able to determine the criteria and geography for its own scheme and there would be more scope for a single larger organisation to work with the City Council on alignment of criteria. Some members of the Commission retained their reservations about this proposal.
- (iii) Members advised that the District Councils had given consideration to Community Infrastructure Levy (CIL) schemes but had chosen not to develop them as they attracted less money to mitigate the cost of developments than Section 106 contributions. In response, it was confirmed that it would be up to the new council to consider whether a CIL would be appropriate. The reason for including it in the appendix was to highlight that a single, countywide scheme would be less expensive to introduce.
- (iv) The financial modelling included an assumption that there would be a rationalisation of the local government estate across Leicestershire on the basis that the new authority would employ less staff than the current structure. However, details including the location of buildings had not been considered. This would be a role for the new authority, taking into account the economic impact on towns and villages, cost, business need and value of the land.
- (v) The Leader of the Council confirmed that a benefit of having a single authority for Leicestershire would be the greater opportunity for promoting economic development than the current structure provided. This included being able to have

a larger economic development team which could respond strategically to opportunities.

Appendix G - Regulatory Services

- (vi) It would be possible to establish a single enforcement team including planning enforcement, due to the overlap of skills with the Trading Standards service. Some unitary authorities had done this.
- (vii) Legislation was currently going through the parliamentary processes which would require Trading Standards to have greater involvement in the private rented sector, particularly with deposit schemes. Leicestershire Trading Standards was in a strong position to respond to this requirement.
- (viii) The Trading Standards Service already had some involvement in licensing, such as explosives and making representations to district council licensing committees regarding alcohol licences, in relation to underage sales. It was felt that a single Public Protection Service for Leicestershire would be well placed to manage licensing services. There was evidence that other unitary authorities managed services in this way.
- (ix) A single Public Protection Service would still be able to put localised schemes in place, for example the selective licensing of houses of multiple occupancy. However, it would also have other tools at its disposal to tackle rogue landlords. The Trading Standards Service already targeted Freshers' Fairs at Loughborough University to advise students. A larger, multi-disciplinary team would be able to put the necessary expertise in place to deal with issues holistically and support legitimate businesses.
- (x) It was noted that a unitary authority would be better placed to bid to provide enforcement services on a regional and national scale than a two tier area. This would be a way of generating income for the new authority.
- (xi) Members acknowledged the benefits of a single Public Protection Service for Leicestershire and queried why this was not already in place as a shared service. It was confirmed that the barriers to setting up a shared service included the varying priorities and allocation of resources across organisations. A shared service arrangement across Trading Standards and Environmental Health services in Worcestershire had been in place until recently. However, different funding decisions across the authorities involved had led to its failure.
- (xii) It was expected that, once the United Kingdom had exited the European Union, small and medium sized businesses would need greater support from Trading Standards and enforcement services. A single authority providing all enforcement and compliance services as well as support would be better and easier for local businesses than the current arrangements.

Appendix H – Combined Property Services

- (xiii) The Cabinet Lead Member for Resources advised the Commission that a single property service would be more efficient than the current fragmented services. There would also be greater opportunities to employ staff with the right balance of

expertise. He confirmed that, where appropriate, buildings would be retained in localities to enable the local delivery of services.

- (xiv) There was currently pressure on the County Hall site, particularly in terms of car parking, and a project to address this pressure was ongoing. In response to a suggestion that the County Hall site be sold for housing and services relocated to more economically deprived areas, the Commission was advised that the building had recently been upgraded and the cost of disaggregating and relocating services would be too great to make this suggestion viable.
- (xv) It was felt that there were benefits to locating more than one organisation on the same site, particularly where it enabled a more comprehensive service to be provided to members of the public. The aim of any property strategy would be to provide services in the right place for residents at the most optimal cost. Where there were no public facing services there would be greater flexibility to determine the best location, taking into account issues such as travel costs.
- (xvi) It was suggested that, if the unitary proposal were to be taken forward, it would be helpful to understand how many people accessed local authority buildings across Leicestershire for help and advice. It would be important to ensure that the transition to a unitary authority did not disadvantage vulnerable residents.
- (xvii) Members emphasised that if a new unitary authority for Leicestershire was established it should seek to avoid silo working. For example any decisions regarding the deployment of local government estate must be linked to considerations regarding economic development in the county.
- (xviii) Currently, the County Council and District Councils sometimes competed for the same tenants. An example of this was in Coalville, where both authorities owned similar buildings. This was felt to be an inefficient use of public sector estate.
- (xix) The provision of leisure facilities was variable across the county. A single unitary authority would be able to take a broader view of leisure services and develop a consistent offer for Leicestershire. It was suggested that a proposed leisure offer could be included in the business case for a unitary authority.

Appendix I – Revenue Collection

- (xx) It was noted that most councils operated a combined revenue and benefits service. There were advantages to developing a single benefits service Leicestershire, for example for council tax discretionary discounts, as a strategic view could be taken and certain behaviours could be incentivised.

RESOLVED:

That the report and information now provided be noted.

- (d) Process for Transferring Staff to a New Organisation.

The Director of Law and Governance and Director of Corporate Resources advised that the latest guidance on the process for transferring staff to a new organisation was from the 2008 Regulations. Should further guidance be issued, Commission members would be informed.

The guidance stated that the post of Head of Paid Service must be subject to open competition, with the expectation that a national recruitment process would be carried out. TUPE applied to all other posts, although authorities were encouraged to follow the same process of open competition for other senior roles. In terms of TUPE, each of the eight organisations would be treated equally. The principles that would be followed were:-

- Staff would be provided with as much assurance as possible;
- There would be equality of opportunity;
- The cost of redundancy would be managed.

Where roles were unique, staff would automatically transfer to the new organisation. It was recognised that, for roles where there was duplication across organisations, there would be redundancies. Each existing council should seek to agree a joint protocol for handling redundancies. This would normally happen after vesting day but a voluntary early redundancy scheme could be put in place, subject to joint agreement.

The Commission was advised that the new council would need to operate effectively from vesting day so structures should be developed and some posts appointed to ahead of vesting day.

Arising from discussion and questions the following points were raised:-

- (i) The joint protocol for handling redundancies would need to include an appeals process, although where possible this could be avoided through the promotion of voluntary redundancy schemes.
- (ii) A consultation to look at strengthening pensions protections for local government who had had their roles outsourced had recently been launched by the Government. The financial impact of this announcement on the County Council was being analysed. However, it was not expected to affect staff in the transition to a unitary authority.
- (iii) Wiltshire Council had a Head of Paid Service but no Chief Executive. It would be possible for a unitary authority for Leicestershire to adopt this model if members chose to do so.
- (iv) It would be essential to plan the structure of the new authority prior to vesting day. The structure would need approval from both members and officers. Member approval was likely to come from an Implementation Executive or Shadow Authority comprising elected members from the existing local authorities. Once Directors had been appointed they would be empowered to build their own services and structures.
- (v) It was confirmed that the £30 million annual savings that a single structure for local government in Leicestershire would make only equated to approximately five percent of the total budget. Redundancies would therefore not be significant in the context of the total number of staff employed by the eight organisations. An exact figure had not been confirmed. It was important that staff across all organisations were treated fairly and that joint criteria to assess similar roles regardless of salary and match them to the new structure were in place. District council staff would therefore not be at a disadvantage.

- (vi) Informal briefings had already taken place with the Trade Unions. Officers had also committed to providing ongoing briefings in the light of developments. TUPE transfer regulations required Trade Unions to be involved in the process.

RESOLVED:

- (a) That the information now provided be noted;
- (b) That officers be requested to confirm whether the governance arrangements for transition were determined locally or by the Secretary of State.
- (e) Summary of Emerging and Recurring Themes from the Scrutiny Process.

The Commission considered a report which summarised the key issues and recurring themes from consideration of the proposals for the development of a unitary structure for local government in Leicestershire by the Council's Overview and Scrutiny Committees. A copy of the report marked 'Agenda Item 9e' is filed with these minutes.

Health Overview and Scrutiny Committee

The Chairman of the Health Overview and Scrutiny Committee drew attention to the fact that Harborough District Council and Blaby District Council allocated funding to Public Health, although it was not clear what this funding was spent on. He also noted that the Health Overview and Scrutiny Committee had considered the unitary proposals prior to the publication of the NHS Ten Year Plan. This might affect commissioning arrangements for some Public Health services.

Adults and Communities Overview and Scrutiny Committee

The Chairman of the Adults and Communities Overview and Scrutiny Committee advised that most adult social care services were only provided by the County Council so the transition to a unitary authority would have limited impact. More consideration needed to be given to services currently provided by district councils such as leisure and open spaces as it was not yet clear how these would fit into the new structure.

Children and Families Overview and Scrutiny Committee

The Chairman of the Children and Families Overview and Scrutiny Committee confirmed that a unitary structure made sense for the Children and Families Service as a lot of its services were already delivered in localities. This would continue to be the case in a unitary structure. It was hoped that the savings that would be realised from the transition to a unitary structure could be invested in services such as children's centres.

Environment and Transport Overview and Scrutiny Committee

In the absence of the Chairman, members of the Environment and Transport Overview and Scrutiny Committee advised that a countywide approach to services such as waste, car parking, street cleansing and environmental services would create consistency across the county.

Mr Bill CC asked for his concerns about the governance of planning, in particular major planning decisions being taken by the Planning Inspectorate rather than the local

planning authority, to be placed on record. He felt that it was difficult in this regard for local councillors to represent effectively the people who elected them.

In reference to point (xvi) in the Environment and Transport Overview and Scrutiny Committee minutes (page 204 of the report refers), Mr Boulter CC asked for it to be recorded that in his view the County Council did not have good records regarding grass cutting for the Oadby and Wigston area.

Role of Parish and Town Councils

Members then discussed the role of Parish and Town Council in a unitary structure of local government. It was noted that they could take on additional services if they wished to do so but this would not be a requirement. They would receive funding from the unitary authority where these services were in line with its policies and where they could deliver a better, more efficient service. This point would be clarified in the business case. It was suggested that, where legislation precluded Parish Councils from taking on services, the new unitary authority could lobby MPs and the Government to make changes in the law.

Officers confirmed that work to develop the devolution framework for Parish and town Council was being undertaken jointly with representatives from those Councils and more detail would be included in the business case.

RESOLVED:

- (a) That the report and information now provided be noted;
- (b) That the findings and views of the Scrutiny Commission be summarised in a report to be considered by the Commission at a future meeting and then submitted to the Cabinet;
- (c) That members of the Scrutiny Commission be asked to submit any further comments on the proposals for a unitary structure of local government for Leicestershire to the Scrutiny Commissioners for consideration.

80. Dates of Future Meetings.

It was noted that meetings of the Scrutiny Commission would take place on the following dates during 2019:-

28 January at 10.00am;
 6 March at 10.30am;
 10 April at 10.30am;
 12 June at 10.30am;
 4 September at 10.30am;
 6 November at 10.30am.

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SCRUTINY COMMISSION: 28 JANUARY 2019

MEDIUM TERM FINANCIAL STRATEGY 2019/20 – 2022/23

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 2019/20 to 2022/23 Medium Term Financial Strategy (MTFS) as it relates to the Chief Executive's Department; and
 - b) ask the Committee 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 2018. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2019/20 – 2022/23 was considered by the Cabinet on 18 December 2018.

Background

3. The MTFS is set out in the report to Cabinet on 18 December 2018, 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 are being presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process on the 8 February 2019 before recommending an MTFS, including a budget and capital programme for 2019/20, to the County Council on the 20 February 2019.

Service Transformation

5. The Department takes the corporate lead on developing and delivering the Strategic Plan and the Communities Strategy; the former incorporating a single outcomes framework; the latter prioritising support for service devolution, community engagement and community capacity building. The Department also leads the Council's work to support economic growth, working closely with the Leicester & Leicestershire Enterprise Partnership (LLEP), Midlands Engine and other partners to secure and deploy funding. The Department also leads the provision of business intelligence to support effective commissioning and service delivery. The Emergency Management and Resilience Team is managed within the department, these staff support two Resilience Partnerships and lead on business continuity for the authority.

6. Services operated by the Department include Planning and Historic and Natural Environment responsibilities as well as regulatory activities: Trading Standards, Coroners, registering births and deaths and offering a range of ceremonies.
7. The Legal and Democratic Services Teams have a key role in ensuring that the necessary legal basis for proposed actions is established and that due process is followed to avoid the risk of challenge.

Proposed Revenue Budget

8. Table 1 below summarises the proposed 2019/20 revenue budget and provisional budgets for the next three years thereafter. The proposed 2019/20 revenue budget is shown in detail in Appendix A.

Table 1 – Revenue Budget 2019/20 to 2022/23

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Original prior year budget	9,938	10,623	10,518	10,443
Budget transfers and adjustments	480			
Add proposed growth (Appendix B)	315	60		
Less proposed savings (Appendix B)	-110	-165	-75	
Proposed/Provisional budget	10,623	10,518	10,443	10,443

9. 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.
10. The central contingency also includes provision for an annual 1% increase in the employers' contribution to the Local Government Pension Scheme based upon the 2016 triennial actuarial revaluation of the pension fund.
11. The total proposed expenditure budget for 2019/20 is £17.5m with contributions from grants, fees and charges and other income sources totalling £6.9m. The proposed net budget for 2019/20 of £10.6m is distributed as shown in Table 2 below:

Table 2 - Net Budget 2019/20

	£000	%
Democratic Services, Administration and Civic Affairs	1,654	15.6
Legal Services	2,248	21.2
Strategy and Business Intelligence	3,755	35.3
Emergency Management & Resilience	277	2.6
Regulatory Services	2,245	21.1
Planning, Historic and Natural Environment	425	4.0
Departmental Items	19	0.2
	10,623	100.0

Budget Transfers and Adjustments

12. A number of budget transfers (totalling a net increase of £0.5m) were made during the 2018/19 financial year. These transfers are:

- £310,000 for pay and pension inflation (including the apprenticeship levy) transferred from the central inflation contingency
 - £145,000 from Adults & Communities to fund posts within Legal specialising in Social Care and Debts.
 - £25,000 from Member Services to facilitate a wider review of support staff
13. 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
14. This star rating is included in the descriptions set out for growth and savings below.
15. 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

16. Details of proposed growth are set out in Appendix B and provide for an additional £0.4m per annum by 2022/23. These are described in the following paragraphs. Before the MTFS report to Cabinet on 8 February, the provisional MTFS will be reviewed and if appropriate updated by the latest budget monitoring position for 2018/19.
17. **G18 Hardship and Crisis Support Service; £45,000 in 2019/20 rising to £105,000 in 2020/21

The County Council took over responsibility for this service from the Department for Work and Pensions in April 2013 and received grant funding until 2015/16. The unspent grant monies were then held in an earmarked reserve and used to continue the service. The service comprises a combination of crisis and hardship provision of food, fuel and predominantly reused furniture and white goods. The current annual cost of the service is £260,000. However, the provision is being redesigned to enable a broadly similar but lower cost service to be provided going forward. The service will be funded in 2019/20 by a combination of the balance remaining of the earmarked reserve, the existing budget provision of £0.1m and the growth funding of £45,000. The ongoing growth requirement to continue the service once the reserve has been exhausted is £105,000. Should the growth bid not be approved this would result in much more limited access to both acute and preventative services for vulnerable people suffering from crisis and hardship. In addition to personal costs for people who would not be able to access support there would also be additional downstream costs for council and health services.

18. G19: Business Intelligence Pupil Forecasting; £40,000 in 2019/20

Resource is requested for an analyst post to support and enhance Leicestershire County Council's pupil forecasting and Section 106 related work. This is a key area of work for the council and impacts upon both the income that the council receives and the council's reputation. If the resource has to be found by redeploying existing staff in

the BI Service then this would impact upon other statutory reporting requirements increasing the financial and reputational risk for different areas of the council.

19. G20: Legal Services – Increased Caseload; £230,000 in 2019/20

The service is proposing to increase capacity by 4.5FTE solicitor posts and 1FTE paralegal post. These posts will cost £0.3m but this will be partially met from redirecting existing resources and additional income generated. The net funding requested is £230,000. As shown in the detail below, particularly in relation to Adult Social Care, the lack of capacity can result in external solicitors being used, which is at a significant cost to the authority. These costs when incurred are absorbed by departments. Therefore it is expected that if the growth bid is successful, there will be a reduced call on external providers.

In common with other local authorities, legal services face difficulty in recruiting to posts. It is important that the service is adequately resourced to ensure the Council is an employer of choice for legal staff. At present, the demands on the service are not sustainable and the service is not in a position to deliver the high quality and timely advice that the Council requires to help it to deliver the MTFs and to also meet on going service demand.

The increased capacity is required in a number of areas:

Environment & Infrastructure (1FTE solicitor and 1FTE paralegal)

These posts will provide legal input to various major Highways projects in order to draft complex legal agreements. The paralegal post is required to manage the increasing numbers of Highway Agreements due to increased residential development.

Litigation and Information Governance (2 0.5FTE solicitors)

A 0.5 FTE Litigation solicitor is required to address additional demands placed by the Council's insurers in addition to additional work for external Clients and internally from Regulatory services. Separately, a 0.5 FTE post is required to undertake specialist Information Governance work. There is currently no dedicated resource for this work, the current situation does not recognise the complexity and increased profile of the issues being dealt with.

Adult Social Care (1 FTE solicitor)

To meet demand for Adult Social Care, one additional solicitor post is required. This would reduce reliance on external provision (costs met by Adults and Communities) which has cost £175,000 since January 2018. Concerns have been expressed by Adults and Communities about the external solicitor's lack of familiarity with the Council's policies and procedures.

Contracts and Procurement (1.5 FTE solicitors)

These posts are required to deal with the increase in legal work expected as a result of the number of schemes included in the capital programme for Highways and Transport, projects within Waste which are expected to result in complex procurements and ICT contract work increasing. The new resource will also address increased workloads resulting from activities related to Health Integration, Commercialisation and Transformation.

SAVINGS

20. Details of proposed savings are set out in Appendix C and total £0.1m in 2019/20 rising to £0.4m per annum by 2022/23. These are detailed in the following paragraphs.
21. **CE1 Eff Review of staff absence; £10,000 in 2019/20
To reflect the support being put in place to reduce staff absence a financial target has been allocated to all departments. As the Department has a relatively small saving, it is expected that this will be achieved in full in 2019/20.
22. CE2: Eff Review of Civic and Member Support; £25,000 in 2019/20
In the first quarter of 2018/19 Member Services and Civic Support merged together to form one section. Following that merger a review has been conducted and an Action Plan is underway to implement a new structure from 1st April 2019. The new structure will deliver the required efficiency saving.
23. CE3: Inc Legal Services Income; £40,000 in 2020/21
It is intended to review the charging rate for external legal advice to our trading partners to ensure that this reflects the Council's commercial strategy. It is also intended to review the charging arrangements for Section 106 and highway agreements following benchmarking which is likely to increase the income to the legal services budget. In addition the review of the structure of the section means that there is a greater focus on legal trading opportunities and it is intended to work with the Commercial Services Manager to ensure that opportunities to generate income are maximised.
24. CE4: SR Trading Standards Reductions in Staffing and Agency Budgets; £30,000 in 2020/21
The majority of the service budget is on employees and agency staff and these savings will therefore be made from a reduction in staffing costs. This will lead to a lower level of enforcement and prevention activities. Management efficiencies have been made to address previous savings and therefore there will be an impact on frontline services. The Service continues to prioritise its resources on higher risk interventions. However, any further reductions in staffing costs will put at risk the ability to deliver a sufficient quantity of official controls and related statutory activities.
25. CE5: SR/Eff Strategy & Business Intelligence Review of grants and contracts; £85,000 in 2020/21
Current net expenditure on grants and contracts across the Communities, Policy and Resilience function is approximately £0.9m. The main grants and contracts making up this total are the Community Infrastructure Organisation contract, revenue funding for SHIRE grants, and the Leicestershire Citizens Advice Bureau contract. All contractual arrangements are for a fixed term ending either annually or by no later than March 2021.

To deliver the MTFs targets a review of all grants, contracts and VCSE funding arrangements will be undertaken. A VCSE policy statement will also be developed setting out the Council's approach to working with the sector. The revised approach will actively seek to promote joint working and cooperation across the sector, eliminate duplication of effort and costs, and provide a more sustainable, transparent and fair approach to funding. The new VCSE policy statement and review of funding

arrangements will build on and complement the Communities Strategy, Strategic Plan, Leicestershire Compact and Social Value Policy as well as the themes and priorities identified in the government's Civil Society Strategy.

26. CE6: Inc Planning, Historic and Natural Environment Fee Income; £10,000 in 2020/21
The current budget for planning fee income is £140,000. In recent years this budget has been overachieved, and whilst income levels are dependent on external factors, income levels are expected to remain in excess of £150,000 going forward.
27. CE7: Eff Reduction in funding for developments; £50,000 in 2019/20
The Department has a small budget to fund developments. However it is considered that these could be met from the departmental reserve if smaller in value and if a larger project is being considered, which has a robust business case, this could be funded from the corporate future developments fund.
28. * CE8 SR Review funding for economic development activity to external agency; £25,000 in 2019/20 rising to £100,000 in 2021/22
This is part of a larger saving which commenced in 2016/17, covering a number of economic development activities. There has been a change to the total saving since the previous MTFS and this is explained below.

£175,000 was to be achieved by reducing funding for tourism support services and by 2019/20 a total of £100,000 savings will have been secured. By working in partnership with Leicester City Council the County Council has jointly established a Place Marketing team (incorporating strategic tourism, inward investment and place marketing) thereby reducing costs. However, ambitions for this to become self-financing have not been realised and hence some core funding is still required to undertake strategic tourism activities, for this reason the £75,000 saving previously included from 2021/22 will now not be achieved. A report on proposed changes to the Place Marketing governance and funding model will be taken to Cabinet in February 2019. The service will continue to explore alternative funding opportunities in future.

External Influences

30. BREXIT
The Department is co-ordinating the Council's response to Brexit both through corporate co-ordination of potential impacts, and through the work of the Resilience Team which is leading partnership work to prepare for a potential no-deal scenario. In terms of impact on services provided by the Department Brexit will have a significant impact on the Trading Standards Service in terms of demand for business compliance advice, as a new regulatory framework comes into effect. There may be greater demands on the service to take enforcement action where compliance advice has failed, which could impact on the achievement of the MTFS in 2020/21.

In addition changes to legislation and court decisions which impact on the Council's powers and duties will impact on legal workload. Given the Council's commissioning and procurement position, the eventual legislation that deals with Brexit will have a major impact.

The impact of Brexit on the local economy is being assessed through a Business Survey commissioned by the LLEP with the support of the County Council, and the Council has received assurance from the LLEP and Chamber of Commerce that local

businesses are being supported to prepare for potential Brexit opportunities and impacts.

31. Demand Led Activity

Legal Service's workload in relation to social care litigation, civil and criminal litigation is demand led. An increase in the local population, in particular, an ageing population, will place more demand on Trading Standards services to tackle scams and other forms of financial abuse. Consumer fraud is on the increase and trading standards investigators are required to undertake more complex enquiries as rogue trading becomes ever more sophisticated.

Other Funding Sources

32. For 2019/20, the following government grants are expected:

The Police and Crime Panel Grant (£55,300 in 2018/19) provides funding towards the administration and member expenses for the panel locally. The level of funding has yet to be confirmed for 2019/20.

The Local Reform and Community Voices Grant (£288,000 in 2018/19) 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 2019/20.

Capital Programme

33. The Chief Executive's Department capital programme totals £0.7m in 2019/20 and £11.7m over the next four years. Details are provided at Appendix C and in the following paragraphs.

34. Superfast Broadband Phase 3

This phase is due to commence in 2019/20 and is intended to ensure that coverage is at 97% of County properties. The priority for Phase 3 is in rural areas and planned contract works will cost £5.6m of which £3.8m will be funded from the Broadband reserve. The balance of funding is from the Capital Programme as agreed by the Cabinet in June 2017. Grant funding has also been sought to expand Phase 3 by a further £5.6m and is in the process of being confirmed. This funding would be claimed in 2020/21 and 2021/22.

The revenue costs of the Project Team have also been identified and these will be funded partly from the reserve and subject to approval, a carry forward of £0.2m from the departmental underspend.

Phase 1 of the Programme which was formally closed in 2018/19 is expected to generate £2m for Leicestershire County Council from the return of Gainshare. This is a profit sharing mechanism that redresses any over public subsidy. The monies will be received between 2018 and 2023 and will be used to repay the capital funding.

35. Shire Community Solutions Grants

The funding requested is to continue the capital scheme at the present level of funding of £0.1m per year. There is also an annual revenue budget of £0.25m 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 in 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.

Background Papers

Cabinet 18 December 2018 - Medium Term Financial Strategy 2019/20 to 2022/23
<http://politics.leics.gov.uk/mgAi.aspx?ID=53670#mgDocuments>

Circulation under Local Issues Alert Procedure

None.

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List of Appendices

Appendix A – Revenue Budget 2019/20
 Appendix B – Growth & Savings 2019/20 – 2022/23
 Appendix C – Capital Programme 2019/20 – 2022/23

Equality and Human Rights implications

38. 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.
39. 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.

40. 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.

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APPENDIX A

CHIEF EXECUTIVE'S DEPARTMENT

REVENUE BUDGET 2019/20

Budget 2018/19 £		Employees £	Running Expenses £	Internal Income £	Gross Budget	External Income £	Net Total £
	DEMOCRATIC SERVICES, ADMIN & CIVIC AFFAIRS						
1,380,880	Democratic Services and Administration	1,323,784	123,290	-6,500	1,440,574	-63,333	1,377,241
114,000	Subscriptions	0	114,000	0	114,000	0	114,000
184,710	Civic Affairs	48,059	153,450	0	201,509	-38,200	163,309
1,679,590	TOTAL	1,371,843	390,740	-6,500	1,756,083	-101,533	1,654,550
2,018,300	LEGAL SERVICES	3,239,205	161,500	-672,400	2,728,305	-480,000	2,248,305
	STRATEGY AND BUSINESS INTELLIGENCE						
1,144,850	Business Intelligence	1,841,722	219,080	-479,108	1,581,694	-399,000	1,182,694
525,940	Economic Growth	748,204	502,883	-450,250	800,837	-255,264	545,573
1,566,230	Policy and Communities	666,035	1,490,964	-155,000	2,001,999	-388,258	1,613,741
407,450	Management and Administration	404,617	8,300	0	412,917	0	412,917
3,644,470	TOTAL	3,660,577	2,221,227	-1,084,358	4,797,446	-1,042,522	3,754,924
276,870	RESILLIENCE	473,485	114,760	0	588,245	-311,534	276,711
	REGULATORY SERVICES						
1,442,490	Trading Standards	1,580,073	207,440	-130,000	1,657,513	-215,000	1,442,513
983,870	Coroners	169,414	865,055	0	1,034,469	-45,000	989,469
-186,830	Registrars	852,788	63,230	0	916,018	-1,102,850	-186,832
2,239,530	TOTAL	2,602,275	1,135,725	-130,000	3,608,000	-1,362,850	2,245,150
474,470	PLANNING SERVICES	913,737	178,210	0	1,091,947	-667,414	424,533
84,720	DEPARTMENTAL ITEMS	192,493	844,000	-1,017,500	18,993	0	18,993
10,417,950	TOTAL CHIEF EXECUTIVES	12,453,615	5,046,162	-2,910,758	14,589,019	-3,965,853	10,623,166

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APPENDIX B

References		2019/20	2020/21	2021/22	2022/23
2018 MTFS		£000	£000	£000	£000
	<u>GROWTH</u>				
	Demand & cost increases				
**	G18	45	105	105	105
	G19	40	40	40	40
	G20	230	230	230	230
	Total	315	375	375	375
	<u>SAVINGS</u>				
**	CE1 Eff	-10	-10	-10	-10
	CE2 Eff	-25	-25	-25	-25
	CE3 Inc	0	-40	-40	-40
	CE4 SR	0	-30	-30	-30
	CE5 SR/Eff	0	-85	-85	-85
	CE6 Inc	0	-10	-10	-10
	CE7 Eff	-50	-50	-50	-50
*	CE8 SR	-25	-25	-100	-100
	Total	-110	-275	-350	-350

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CHIEF EXECUTIVES - CAPITAL PROGRAMME 2019/20 to 2022/23 - Draft

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Shire Community Solutions Grants	100	100	100	100	400
Rural Broadband Scheme - Phase 3	610	2,430	2,590		5,630
Rural Broadband Scheme - Phase 3 extension (subject to Grant Award)	0	2,500	3,130		5,630
Total Chief Executives	710	5,030	5,820	100	11,660

<u>Future Developments - subject to further detail and approved business cases</u>	
Coroners relocation	
Relocation of Hinckley Registry Office	

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SCRUTINY COMMISSION: 28 JANUARY 2019

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

MEDIUM TERM FINANCIAL STRATEGY 2019/20–2022/23
CORPORATE RESOURCES

Purpose of Report

1. The purpose of this report is to:
 - a) Provide information on the proposed 2019/20 to 2022/23 Medium Term Financial Strategy (MTFS) as it relates to the Corporate Resources Department;
 - b) Ask members of the Committee to consider any issues as part of the consultation process, and make any recommendations to the Scrutiny Commission and the Cabinet accordingly.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2018. This was the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2019/20–2022/23 was considered by the Cabinet on 18 December 2018.

Background

3. The MTFS is set out in the report to Cabinet on 18 December 2018, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Corporate Resources Department.
4. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process on 8 February 2019 before recommending a MTFS, including a budget and capital programme for 2019/20 to the County Council on the 20 February 2019.

Service Overview

5. Corporate Resources (CR) provides a range of front line, traded and support services to achieve the Council's Strategic Outcomes whilst ensuring organisational sustainability and enabling the transformation of the organisation to be the most efficient and effective it can be through the Digital and Information Technology, People, Workplace and Commercial agendas.
6. The CR department is also undergoing significant change through the Fit for the Future project which will transform the system (replacing Oracle) and ways of working for the functions of Finance, HR, Procurement and East Midlands Shared Services (EMSS).

7. Additionally, programmes such as the Corporate Asset Investment Fund, alongside developing work streams around the Workplace Strategy and Wider Commercialism, have the potential to fundamentally transform the way the Corporate Services function operates and drive additional efficiencies.

Proposed Revenue Budget

8. The table below summarises the proposed 2019/20 revenue budget and provisional budgets for the next three years. This is shown in detail in Appendix A.

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Original prior year budget	31,059	32,930	32,010	28,985
Budget Transfers and Adjustments	1,776	0	1,000	0
Sub total	32,835	32,930	33,010	28,985
Add proposed growth (Appendix B)	910	0	0	0
Less proposed savings (Appendix C)	-815	-920	-4,025	-250
Proposed/Provisional net budget	32,930	32,010	28,985	28,735

9. 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.
10. The central contingency also includes provision for an annual 1% increase in the employers' contribution to the Local Government Pension Scheme based upon the 2016 triennial actuarial revaluation of the pension fund.
11. The total proposed expenditure is £88m with a gross budget for 2019/20 of £65.5 m after accounting for internal income, recharges and contributions from earmarked funds of £22.4m. Trading income and other grants are projected at £32.6m resulting in a proposed net budget for 2019/20 of £32.9m which is distributed as follows:

Net Budget 2019/20	
Strategic Finance & Property, Assurance and EMSS	£7.3m
Corporate Services - People, Information & Technology and Transformation	£15.0m
Customer and Property Services	£13.3m
Commercial Services net contribution	-£2.7m
Department Total	£32.9m

Other Changes and Transfers

12. A number of budget transfers (totalling a net increase of £1.8m) were made throughout the 2018/19 financial year and are now adjusted for in the updated original budget. The main transfers include:
- £1.3m for pay (including increments relating to the National Living Wage) and pension inflation transferred from the central inflation contingency; and
 - £0.3m of funding transferred from the central inflation contingency for rising building and insurance costs.

13. 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.

14. This star rating is included in the descriptions set out for growth and savings below.
15. Savings have also been highlighted as “Eff” or “SR” dependent on whether the saving is seen as an efficiency or a service reduction or a mixture of both. “Inc” denotes those savings that are funding related or to generate more income.

Growth

16. The total amount of growth requested is £0.9m, representing 2.9% of the existing net Corporate Resources budget. The large nature of the budgeted growth results from an increased reliance on technology and information security. A summary and detail of the growth bids are outlined in Appendix B and the narrative below:

Demand & Cost Increases

17. G21 Microsoft Enterprise Agreement cost increase – £550,000 from 2019/20 onwards

The current Microsoft Enterprise Agreement (EA) is due to expire in June 2019. The EA is a volume licensing package offered by Microsoft which covers all software licensing and updates for the full range of Microsoft programmes. The price of the licences is fixed for the full three years of the agreement, so the large increase now reflects the inflationary increase over this period.

The Council has been informed by Trustmarque (who manage the contract for LCC) that the cost to renew this agreement has increased substantially (£450,000 per annum) as a result of a move to a new pricing model. This increase in charge will impact upon all Local Authorities whose Microsoft agreements are up for renewal and, as such, has affected a larger debate with representations taken to the Local Government Association (LGA) and to senior Civil Servants.

However, the new model does include some additional products within the bundle which ICT Services currently procure from alternative suppliers. ICT Services are undertaking a review to see how these new packages, alongside the forthcoming move to Windows 10 and Office 365, could realise additional efficiencies. The EA agreements are fixed for three years, after which a further renewal exercise will need to be undertaken.

Additionally, a further £100,000 is included in the growth estimate to include the annual cost of the Microsoft Premier Agreement which will provide an end-to-end Microsoft support agreement, reducing the risk of major service disruption and enabling faster resolution of incidents.

18. G22 – Additional HR resources to manage off-contract risk and to tackle recruitment and retention issues – £140,000 from 2019/20 onwards

The HR function supports the whole Council with: HR Action plans, TUPE transfers, disciplinary, grievance, capability, probation, managing sickness absence, Behaviour at Work cases and off contract engagements. Over a period of time the resource in this team has been considerably reduced but the work has not only increased but it is also far more complex. It is also important to note that despite the target operating model of manager self-service, which was the reason for the reduction, the HR Advisors still have to have considerable involvement in a number of cases to reduce risk and ensure the right outcomes for the Council.

Service Improvements

19. G23 - Additional ICT security measures to mitigate risks identified by Cyber Security Audit - £150,000 from 2019/20 onwards.

In 2017, C3IA Solutions Limited was commissioned to undertake a review of the Authority's cyber security. The subsequent report identified a number of improvements to reduce the risk of potentially catastrophic cyber threats, including down time of critical services, reputational damage and subsequent costs to restore systems and services. Growth is requested to allow the procurement of a third party security monitoring service and Intrusion Prevention System (IPS) which will examine network traffic flows and prevent vulnerability exploits.

19. G24 - Fire Safety Risk and Third Party Providers - £70,000 from 2019/20 onwards

Following the Grenfell Tower fire, the council began a comprehensive review of compliance practices relating to statutory fire regulations, which officers continue to undertake within a rolling programme. An initial assessment identified over 960 properties where services are commissioned and monitored by the County Council. Whilst good practice takes place, the extent of and approach to fire safety monitoring varies markedly both between departments and individual service areas.

Funding is required to develop a centralised resource that will oversee and support the broader activities, as well as providing some audit and assurance at a corporate level. In addition, a centralised database of providers will enable the classification and categorisation of types of property, to better understand where the highest risk resides. A more corporate approach to compliance monitoring will influence how services are initially procured, contract performance is monitored and non-compliance is dealt with. By doing so, further resilience can be provided to ensure the continuing safety of council service users within third party managed buildings.

Savings

20. The proposed savings for Corporate Resources total £0.8m for 2019/20 rising to £6.0m by 2022/23. Additionally, there are Corporate Savings of £0.3m in 2019/20 rising to £8.5m by the final year of the MTFS.
21. The summary of these savings are in Appendix C followed by more details for each saving below:

22. * CR1 Eff Customer Service Centre Review - £70,000 from 2019/20

The Customer Service Centre (CSC) is the first point of contact for customers of Adult Social Care, Highways and Transport enquiries, Waste Management, Regulatory Services and School Admissions; answering a half a million customer contacts every year across a range of channels.

As part of a number of “system thinking’ initiatives (of which some have already been implemented) a new Customer Relationship Management (CRM) system has been procured which will increase automation and the use of performance management information to improve productivity enabling reductions in staffing levels whilst maintaining or improving customer service levels.

In the current year, savings of £130,000 have been delivered through business process improvements which resulted in a rationalisation of the workforce. It is expected that the planned improvements in technology will enable further efficiencies

23. * CR2 Eff – Review of Staff Absence - £20,000 in 2019/20 rising to £45,000 in 2020/21

To reflect the support being put in place to reduce staff absence, a financial target has been allocated to all departments. This reflects the intention to meet or exceed the County Council’s target of 7.5 days per FTE. The saving target is phased as 50% in 2019/20 and 100% in 2020/21 to allow time for improvement to take effect. The figure shown here is the savings target for the whole Corporate Resources department.

Corporate Resources has been able to meet the sickness target through a combination of increased visibility and awareness of absence management policies, alongside focused training for managers. The department is now aiming for a target of 6 days per FTE and the cashable savings associated with the achievement of this target will be allocated in future years.

24. CR3 Eff – Workplace Strategy - £50,000 in 2020/21 rising to £300,000 in 2022/23

Following on from the success of the previous Accommodation Strategy and County Hall Master Plan, additional efficiencies are expected from a further review of the Council’s estate. A draft Workplace Strategy has been developed to take this forward with the aim being to optimise the use of the Council’s property portfolio at both the County Hall campus and other locality premises. The baselining of information regarding capacity, use and costs of each building has now been completed and the results have been reviewed alongside an assessment of alternative ways to use space and any potential constraints.

A full business case is awaited, but options being considered include:

- a. Demand and supply side policies to manage car parking at County Hall, allowing greater workstation occupancy at County Hall and realising savings from vacating satellite sites or through additional rental income;
- b. Developing options for different ways of working (including HR and ICT policies) to enable the space at County Hall and elsewhere to be fully utilised.
- c. Review and challenge of service charges associated with locality offices which the County Council are leasing; and
- d. Progressing models for the vacation of certain office facilities.

25. CR4 Eff – Fit for the Future - System Replacement and Change Programme - £400,000 in 2020/21, rising to £900,000 in 2021/22

The Fit for the Future programme is a two year programme to update the existing Oracle E-Business system with the latest Cloud based solution. This will generate contract savings from hosting and licence costs. The programme will also deliver efficiency savings in ICT, Finance, EMSS, HR & Procurement as the working practices of these functions and interactions with the wider organisation are reviewed and updated to utilise the upgraded functionality and modern best practice.

The business case was approved by the Cabinet in February 2018 which outlined a £6m investment to replace the system, as well as achieving an indicative total £1.2m annual benefit. Of these benefits; £0.9m will materialise in new ongoing MTFS savings from 2021/22 and the balance of benefits will support delivery of savings that are already included in the MTFS but have a dependency on this programme of change.

The programme has just finished the “Advisory stage” documenting processes and requirements and benefits will be identified and formalised as part of the next design and delivery stages. The new system is expected to go live towards the end of 2019/20 and benefits will be phased as the system is stabilised and changes to ways of working are embedded.

26. ** CR5 Eff / Inc Increasing Commercial Services contribution - £500,000 in 2019/20 increasing to £750,000 by 2020/21

Between 2016 and 2020 Leicestershire Traded Services (LTS) had a target to increase the contribution that it makes to Leicestershire County Council by a net £2m through a combination of increased sales, customers and prices and reducing costs. By the end of 2018/19, LTS were due to have delivered £1.25m of this target, of which they are on target to deliver £1m.

As such, it is felt to be prudent to reschedule delivery of the remaining £0.75m savings target over the next two financial years, resulting in a delay of one year in the achievement of the £2m total savings target. This is a reflection of the additional cost pressures on the service as a result of the increased National Living Wage, uncertainty around Brexit and its impact on pricing, alongside underachievement of income performance targets in a couple of LTS services, where work is being undertaken to improve performance.

In order to deliver the required contribution, further work is being undertaken to understand and challenge the costs of providing the goods and services, including reviewing specifications and exploring alternative delivery models. Similarly, SMART income targets have been identified for each of the services under the LTS banner which seek to recognise the margin that can be generated and the opportunity that exists in the markets in which they operate.

Additionally, LTS continue to seek new business and have identified and won custom beyond the Leicestershire borders (E.g. School Food in Cambridge, LEAMIS provision in Stoke, Lincolnshire and Nottingham). New products and services have also been identified and launched, such as the creation of a central production unit within an unoccupied school building within the County with the aim to supply premium branded deli products across all LTS Catering businesses.

27. ** CR6 Eff/Inc Energy & Water Strategy- £90,000 from 2019/20, rising to £260,000 by 2022/23

The Energy and Water Strategy 2017-2021 looks to build upon the efficiencies delivered in the 2014 Strategy, which drove reductions in annual energy consumption, savings on energy bills and investment in the provision of renewable energy.

The Water Strategy has been developed to increase water efficiency at County Council run properties. The Strategy sets out to reduce annual water consumption by 10%; equating to £20,000 annual savings to contribute towards the Energy and Water annual savings target. Furthermore, the Strategy sets out to recycle water and source its own water through boreholes, rainwater recycling and greywater recycling

Energy 'Invest to Save' projects will be pursued via capital schemes for which business cases are being developed. Projects will target buildings using the most Energy to ensure the property estate is fit for purpose. Schemes such as the biomass boiler at County Hall and the installation of Solar Panels across the Council's estate have previously delivered large savings.

Property Services will investigate opportunities to 'trade' Energy Performance upgrades with public sector partners in an approach similar to Score+. Public sector bodies would be able to access the County Council's experience and knowledge of Energy Management while accessing the successful Energy Performance Contract to realise asset upgrades to save energy.

28. ** CR7 Eff Returns from Corporate Asset Investment Fund - £3m from 2021/22

Asset investment possibilities have been and are being appraised and, subject to the business case and approval by the Corporate Asset Investment Fund Advisory Board, will be progressed. These investments will generate an additional ongoing revenue stream (for example, rental income from farms or industrial units) or future capital receipts in excess of what is required for the initial investment. A target of £3m p.a. additional revenue income by 2021/22 is included in the MTFs. This is based upon schemes that are complete or at an advance stage, making delivery highly likely. The target will be increased in later years as further projects reach a sufficiently advanced stage. This will be reflected through future MTFs refreshes which will balance the use of the income between supporting the overall revenue position for the authority and funding further capital investments.

Over the past 12 months, the Corporate Asset Investment Fund has invested in a number of properties, including purchasing offices at Lichfield South Office and Leisure Park for £11m in December 2017 and, subsequently, the acquisition of Embankment House in Nottingham in February 2018, at a price of £12m. These sites alone will generate an additional income stream of £0.8m and £0.9m per annum respectively for the foreseeable future, subject to market conditions. For 2019/20 and 2020/21 this income is earmarked to the future developments fund and from 2021/22 will be used to meet the £3m savings target included in the MTFs. In addition, income of £1m in respect of interest returns on pooled property funds is included in the central items budget from 2019/20 as part of bank interest received.

Work is continuing to identify and develop further schemes in which to invest, as well as ensuring that the fund is suitably diversified to insure against market fluctuations and to seek to protect the Authority's capital investments. Examples of ongoing projects include:

- a. Airfield Business Park (Phase 1 Development) – forecast to generate £2.7m net income per annum from 2022/23;
- b. Coalville Workspace Project , Vulcan Way – forecast to generate £0.3m net income per annum from 2020/21; and
- c. LUSEP project – forecast to generate circa £1.5m net income per annum from 2021/22.

Based on all of the above, and the potential for further investment opportunities to be identified, there is confidence that this saving will be delivered. Any income generated above and beyond this saving will be recycled as additional money to fund future developments.

29. ** CR8 Eff/Inc Revenue Savings from Capital Programme - £35,000 from 2019/20

The County Council has installed Electric Vehicle (EV) charge points at some of its properties (including County Hall) to allow staff, tenants and visitors to charge their cars. This saving relates to income generated from charging users to use the EV charging points and will cover the cost of electricity, plus the cost to install and maintain the chargers.

30. CR9 Inc Expand Score + Energy Scheme - £100,000 from 2019/20, rising to £200,000 in 2021/22

The Score+ (Schools Collaboration on Reducing Energy) service has been rolled out to targeted schools and further schemes are anticipated. Score+ allows schools access to the County Council's Energy Performance Contract to upgrade assets to save energy. This reduces carbon emissions and the school's energy bills. The schools are able to access County Council funding to finance the energy upgrades. Interest and management fees are added to the funding to generate income, contributing towards this savings target.

31. CR10 Eff Review Financial Provisions for Future Liabilities - £300,000 from 2021/22

The County Council makes provision from the revenue budget for a range of future liabilities and these provisions can be changed in line with expected liabilities and regulations. The County Council's insurance claims experience has improved to the extent that the annual contribution exceeds the forecast for claims. To ensure that the earmarked fund does not exceed requirements it is proposed to reduce the annual contributions.

Changes in the external environment, for example society's expectation or legislative change, can cause the situation to worsen, but at this time there is the potential to reduce the annual contribution made to the insurance earmarked fund.

32. CR11 Inc Place to Live – Accommodation Income - £75,000 by 2020/21, rising to £150,000 in 2021/22

As part of an A&C initiative to invest in supported accommodation in order to increase the options for working age adults to live a full and successful life within the community and in

accommodation that is suitable for their needs, the Authority has acquired Brookfield Gardens from Waterloo Housing Group.

There is the potential for Corporate Resources to achieve additional income through the generation of rent from this property. The property will be converted into 20 one bedroom self-contained flats, suitable to accommodate working age adults who need long term supported accommodation within the County.

Corporate Savings

33. * CS1 Eff Review of Key Supplier Contracts - £250,000 from 2019/20

The Commissioning Support Unit (CSU) will work with departments to review contract spend and identify means of delivering this required saving target. This includes contract renegotiation, service specification, discounts applied for early payment and the potential for rebates. The CSU will also look at existing frameworks and tender opportunities to ensure Value for Money is achieved.

Current work in this area is focused on the Adults and Communities department, but will be expanded to all departments throughout the year. There are risks attached to the delivery of this saving, in relation to the recognition of the saving and the on-going nature of the saving, but this will be managed through the involvement of the Finance function. As savings are identified and agreed with departments, a budget transfer will move the saving element to the relevant departmental budget.

34. CS2 Eff ICT Incubation Team to Enable Efficiencies and New Ways of Working - £50,000 in 2019/20, rising to £200,000 by 2022/23

ICT will work with departments across the Council to identify areas in which digital innovation and technology can be used as an enabler to generate efficiencies and promote change. The Incubation Team will look to promote many of the measures identified in the Digital Strategy, including delivering easy-to-use digital services which help both staff and customers to self-serve and enabling better ways of working. Staff resources to drive this function have been identified from within existing resources and are expected to be in place to start work on this initiative by June 2019.

35. CS3 Eff Efficiency and Productivity Programme - £4m in 2020/21, rising to £8m by 2022/23

Based on research from other organisations, an opportunity exists to create a programme that provides a systematic framework for reviewing services and teams across the council, including those with smaller budgets that may have not been part of a formal review before. Through an assessment of the services based on looking at strategy, staff, finance and performance data, the intention will be to introduce a coordinated programme drawing on the wider support services offer to utilise continuous improvement tools and techniques with the aim of exploiting a number of lower level opportunities simultaneously right across the council that can be enacted within the teams (i.e. process improvements) to find cashable savings.

A similar approach has been undertaken recently in the Adults and Communities department, where the County Council commissioned independent specialist consultancy,

Newton Europe, to undertake a diagnostic analysis in partnership with the service. The assessment comprised activity modelling, case reviews, frontline staff workshops, meeting with third party providers, financial analysis and benchmarking against other local authorities.

Central Items

36. **** CI1 Inc Financial Arrangements – growth in ESPO income - £100,000 in 2019/20, rising to £220,000 in 2022/23**

Continued growth in ESPO income is forecast to increase the amounts received by constituent authorities as dividends. Income is forecast to increase by £40,000 p.a. to around £0.7m p.a. by 2022/23.

37. **** CI2 Minimum Revenue Position (MRP) - £500,000 in 2019/20, rising to £4m in 2020/21**

Capital financing costs include debt interest on loans outstanding and an amount set aside to repay debt principal on maturity, called the minimum revenue provision (MRP). The current policy is to charge MRP on borrowing supported by the Government at a rate of 4% per annum. This equates to approximately £10.5m per annum. The 4% relates to the rate at which the Government historically provided support to the Authority through the Revenue Support Grant.

Following changes to the legislation governing MRP and the reductions in RSG it is possible to rebase the annual MRP charge to a period more commensurate with the useful service life of the assets purchased.

A high level review shows that based on the average remaining economic life of assets held it is possible to revise the MRP calculation to circa 2.5% per annum which would reduce the MRP charge to around £6.5m per annum. It should be noted that a revised approach does not change the overall amount of MRP payable, the same amount is simply repaid over a longer period of time.

Savings Under Development

38. The MTFS is balanced in 2019/20 and 2020/21 but shows shortfalls of £5.3m in 2021/22 rising to £19.5m in 2022/23. To help bridge the gap a number of initiatives are under development to generate further savings. Once business cases have been completed savings will be confirmed and included in a future MTFS. The initiatives that involve Corporate Resources are :

Commercial Services

39. Activity is now rolling out across the whole Authority in order to identify and enhance current trading activity and identify potential new areas. Support is being given in two pilot areas; Services to Schools and Highways Development. An Outline Business Case based on the opportunity to extend the principles of Commercialism to Services to Schools is being prepared and will be presented in the New Year.
40. Additionally, an exercise was undertaken earlier this year to review the strategic, customer and operational context for more trading opportunities which might exist within the Council that had not been captured through the existing LTS structure. This exercise

identified two additional service areas, Business Intelligence and Leicestershire Adult Learning Services, where the opportunity existed to enhance and develop trading activity. Work is planned to start in January 2019.

Corporate Asset Investment Fund (CAIF)

41. There is the potential for additional income to be made from an increase in the overall CAIF fund and the delivery of the existing investment programme. Further investment opportunities have been identified that could increase the overall CAIF programme to £260m, from the original target of £200m. These are at very early stages and have not yet been included in the draft 4 year programme.

Corporate Resources Capital Programme

42. The Corporate Resources capital programme totals £7.3 m over the next four years including £6.2m in 2019/20 and is described in more detail in the following paragraphs and Appendix D.

43. ICT and Digital infrastructure and developments: £1.9m over the MTFS period

Investment in technology and digital capability throughout the organisation is a priority to increase efficient and modern ways of working in addition to maintaining security and robust systems and infrastructure. This investment includes replacement, capacity growth and upgrade across the corporate estate for 2019/20 including:

- £650,000 for the refresh of the current end of life Local Area Network (LAN) switches and core infrastructure, which will continue to allow users based at County Hall and across satellite sites to access applications, services and other centrally located resources;
- £250,000 (final element of total £1.2m scheme) to replace the current Storage Area Network (SAN) and related servers which have reached the end of their useful economic life. The new solution also allows closer integration with public cloud services, generating further benefits and aligning with the long term ICT strategy for the authority;
- £160,000 (final element of £560,000 scheme) is required as extended support for Windows 7 (the current Operating System) is due to end in January 2020. An update to Windows 10 is essential to ensure the estate is kept up to date with the latest client Operating System (OS) and application versions. This supports LCC's compliance to Public Sector Networks (PSN), as well as setting up the client estate for future Operating System upgrades, and conforming to General Data Protection Regulations (GDPR);
- £240,000 is required to replace the Information Technology Service Management (ITSM) tool and associated Customer Portal which are due to go end of life in 2021. This service provides a cohesive method of managing the ICT Service Desk's workload and enables quick resolution of incidents, reducing the impact on service users; and

- £500,000 for a programme of smaller ICT projects including Session Border Controllers, Loadbalancers, a refresh of the Solaris Hardware, Wireless Controllers, and other schemes.

44. Property (Major Maintenance & Improvements): £2.4m over the MTFS period

The draft property capital programme includes:

- £750,000 for LCC's contribution to the installation of a footbridge and cycleway at Watermead Park, in partnership with Leicester City Council;
- £1m to develop and deliver the Workplace Strategy;
- £550,000 to complete the redevelopment of Snibston Country Park, although there is a chance these costs may increase as the scheme progresses; and
- £100,000 investment in plant and machinery to reduce the exposure of staff to Hand and Arm Vibrations (HAV's).

Corporate Capital Programme

45. The Corporate capital programme totals £70m over the next four years including £43.8m in 2019/20 and is described in more detail in the following paragraphs and Appendix D.

46. Corporate Asset Investment Fund (CAIF): £67m over the MTFS period

Further investment is anticipated in the Corporate Asset Investment Fund, which includes the following schemes:

- The acquisition / development required for four specific projects:
 - £14.2m required to complete the £23.5m investment in Loughborough Science and Enterprise Park (LUSEP);
 - £4.2m required to complete the £7.1m investment in Airfield Farm Business Park;
 - An additional £27m is required, alongside £5m allocated in previous years, to complete the £32m investment in East of Lutterworth SDA. The additional funding is required to cover planning and other related costs, the acquisition of the remaining land within the SDA and some additional land that has since become available; in total now estimated at £32million, which is an increase from the figure previously reported. It should be noted, that the financial benefits from the project are also expected to be greater than previously anticipated and will cover the increase in costs.

Specifically, with regard to the acquisition of land for this project and associated costs of planning, promotion etc, an original budget of £27m had been agreed by the Cabinet in March 2018. However, some of the original estimates have since had to be revised and with the proposal to purchase some further land, this limit is likely to be exceeded. Following consideration of the report in March 2018 both the Scrutiny Commission and the Cabinet supported the intention to purchase the whole of the site which would help secure delivery of the SDA and its inclusion within the Harborough Local Plan. Ownership of the whole site will also ensure

smother progress through the planning and development process and the purchase of the additional adjoining land now available will add further security on these issues, as well decrease the risk of a potential 'blight' claim. Control of the whole sight will also provide greater flexibility to ensure the scheme can be aligned with the Quality and Affordable Homes outcome of the Council's Strategic Plan. A detailed report on progress, the proposed land acquisitions and expected increase in capital costs will be presented to the Cabinet in February for approval. This will be an exempt report given the commercial detail to be included. However, the report will be provided to Group Leaders and Scrutiny Commissioners for comment.

- £2.5m required to complete the £5.8m investment in Coalville Workspace Project / Vulcan Way.
- A rolling scheme of £200,000 per annum for the County Farms Estate and £250,000 per annum for the Industrial Properties Estate is required to ensure the portfolio of properties are maintained to an acceptable standard, in order to safeguard the continuing income stream from the rental of these properties.
- A total of £17m is included for further Asset Acquisitions or New Investments which meet the CAIF investment criteria, bringing the overall fund to the originally planned total of £200m, and will be drawn down subject to a successful business case.

47. Energy Strategy: £3.35m over the MTFS period

Bids have been received for funding required to deliver the Energy programme of works over the life of the MTFS, including:

- £150,000 to progress the work that has already started to ensure LCC leased buildings meet a minimum Energy Performance Certificate rating of at least an E;
- £300,000 per annum over the life of the MTFS to continue to deliver Energy and Water Invest to Save projects to upgrade assets at Corporate buildings in order to reduce energy consumption; and
- £2m to continue the rollout of the Score + schemes which allows schools access to the County Council's Energy Performance Contract to upgrade assets to save Energy and reduces carbon emissions and the school's energy bills.

Future Developments

48. Where capital projects are not yet fully developed or plans agreed these have been included under the heading of 'Future Developments' under the department's programme in Appendix D. It is intended that as these schemes are developed during the year and where there is a financial justification, or an investment required to maintain delivery of the service, they are included in the capital programme. £25m is being held corporately to fund future capital schemes on a prioritisation basis.
49. The potential programmes and schemes that may require capital investment in the future include:
- Information & Technology enabling projects and major systems replacement, including a potential VDI refresh;
 - Commercial investments which will generate a positive ongoing revenue benefit;
 - The next stage of a Workplace Strategy to achieve additional savings building on previous County Hall Master Plan and other Accommodation Review successes; and
 - Additional investment in Energy schemes which would generate energy efficiencies and potentially new income streams.

Background Papers

- Cabinet : 18 December 2018 – Medium Term Financial Strategy 2019/20 to 2022/23

Circulation under Local Issues Alert Procedure

None.

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Appendices

Appendix A – Revenue Budget 2019/20

Appendix B – Growth

Appendix C – Savings

Appendix D – Capital Programme 2019/20 – 2022/23

Equality and Human Rights Implications

50. 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.
51. 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.
52. 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.

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CORPORATE RESOURCES - REVENUE SUMMARY 2019/20

Appendix A

Budget 2018/19 £		Employees £	Running Expenses £	Internal Income £	Gross Spend £	External Income £	Net Total £
Strategic Finance, Assurance, Property & EMSS							
1,573,350	Strategic Property	1,929,990	527,940	-812,790	1,645,140	-143,500	1,501,640
2,440,550	Strategic Finance	2,677,880	143,090	-206,120	2,614,850	-182,270	2,432,580
1,011,610	Care Finance	865,400	298,460	0	1,163,860	-20,580	1,143,280
365,580	Internal Audit	875,780	15,780	-45,210	846,350	-480,130	366,220
1,833,380	Insurance	277,130	4,069,820	-1,059,550	3,287,400	-1,637,450	1,649,950
-143,550	Corporate Projects	0	23,900	-51,000	-27,100	0	-27,100
-607,890	CAIF Industrial Properties	0	1,236,300	0	1,236,300	-1,946,000	-709,700
0	Corporate Asset Investment Fund	0	1,721,300	0	1,721,300	-1,721,290	10
-473,580	CAIF County Farms	0	727,750	0	727,750	-1,213,500	-485,750
0	Pensions	1,129,120	3,300	0	1,132,420	-1,132,420	0
1,349,800	EMSS	4,018,670	2,254,840	-2,717,690	3,555,820	-2,091,320	1,464,500
7,349,250	Total Director of Finance	11,773,970	11,022,480	-4,892,360	17,904,090	-10,568,460	7,335,630
People, Information & Technology and Transformation							
1,134,150	Human Resources	1,503,140	58,450	-275,920	1,285,670	-50,000	1,235,670
380,420	Health & Safety	459,210	25,000	-87,040	397,170	0	397,170
194,090	Trade Union	193,200	900	0	194,100	0	194,100
1,346,910	Learning & Development	782,950	913,710	-37,120	1,659,540	-312,410	1,347,130
1,005,700	Commissioning Support Unit	1,045,260	30,650	-80,000	995,910	0	995,910
8,944,790	Information & Technology	6,575,140	4,131,170	-793,680	9,912,630	-268,930	9,643,700
1,218,130	Transformation Unit	4,431,370	1,432,190	-4,646,060	1,217,500	0	1,217,500
14,224,190	Total Corporate Services	14,990,270	6,592,070	-5,919,820	15,662,520	-631,340	15,031,180
Customer & Property Services (excl trading)							
1,949,820	Customer Service Centre	2,092,150	64,300	-286,720	1,869,730	0	1,869,730
1,456,120	CR Management and Business Support	1,374,180	200,320	-132,000	1,442,500	-13,600	1,428,900
1,258,930	Marketing and Communications	1,276,890	318,560	-283,440	1,312,010	-46,300	1,265,710
2,525,420	County Hall and Locality Premises Costs	257,080	2,973,300	-33,600	3,196,780	-684,140	2,512,640
778,060	C&F, A&C and R&HW Sites	0	781,140	0	781,140	-35,000	746,140
1,133,310	Library & Community Premise Costs	0	1,051,220	0	1,051,220	0	1,051,220
153,320	Vacant properties and unattached land	0	275,320	0	275,320	-122,000	153,320
701,870	Facilities Mgmt Premises Support	677,700	89,130	0	766,830	0	766,830
389,990	Property Services Business Support	404,310	13,010	0	417,320	0	417,320
130,880	Postal Services	95,390	57,660	-23,770	129,280	-1,850	127,430
73,560	Traveller Services	203,800	55,870	-15,000	244,670	-185,240	59,430
-49,620	Caretakers Houses	0	500	0	500	-50,300	-49,800
572,710	Supported Employment	538,840	0	0	538,840	0	538,840
2,400,000	Major Condition Improvement Works	0	3,900,000	-1,500,000	2,400,000	0	2,400,000
13,474,370	Total Customer & Property Services	6,920,340	9,780,330	-2,274,530	14,426,140	-1,138,430	13,287,710
-1,050,110	LTS Catering & School Food	8,956,820	7,240,090	-4,567,400	11,629,510	-12,940,680	-1,311,170
-665,680	LTS Professional Services	1,833,820	410,220	-1,156,850	1,087,190	-1,927,310	-840,120
-365,340	LTS Property	3,057,550	1,712,410	-3,139,290	1,630,670	-2,128,760	-498,090
-228,080	LTS Beaumanor	1,034,340	603,050	-452,500	1,184,890	-1,475,420	-290,530
0	LTS Music Service	1,166,130	644,010	0	1,810,140	-1,810,140	0
96,160	LTS Infrastructure	205,150	60,000	-50,000	215,150	0	215,150
-2,213,050	Total Commercial Services	16,253,810	10,669,780	-9,366,040	17,557,550	-20,282,310	-2,724,760
11,261,320	Total Customer & Commercial Services	23,174,150	20,450,110	-11,640,570	31,983,690	-21,420,740	10,562,950
32,834,760	TOTAL CORPORATE RESOURCES	49,938,390	38,064,660	-22,452,750	65,550,300	-32,620,540	32,929,760

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APPENDIX B

References

GROWTH

2019/20	2020/21	2021/22	2022/23
£000	£000	£000	£000

* items unchanged from previous Medium Term Financial Strategy

** items included in the previous Medium Term Financial Strategy which have been amended

CORPORATE RESOURCES**Demand & cost increases**

G21	Microsoft Enterprise Agreement cost increase	550	550	550	550
G22	Additional HR resources to manage off-contract risk and to tackle recruitment & retention issues	140	140	140	140
Service Improvements					
G23	Additional ICT security measures to mitigate risk identified by Cyber Security Audit	150	150	150	150
G24	Fire Safety Risk and Third Party Providers	70	70	70	70
Total		910	910	910	910

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References	<u>SAVINGS</u>		2019/20	2020/21	2021/22	2022/23
			£000	£000	£000	£000
<u>References used in the following tables</u>						
* items unchanged from previous Medium Term Financial Strategy						
** items included in the previous Medium Term Financial Strategy which have been amended						
Eff - Efficiency saving						
SR - Service reduction						
Inc - Income						
<u>CORPORATE RESOURCES</u>						
* CR1	Eff	Customer Service Centre Review	-70	-70	-70	-70
* CR2	Eff	Review of staff absence	-20	-45	-45	-45
CR3	Eff	Workplace Strategy	0	-50	-100	-300
CR4	Eff	Fit for the Future - system replacement and change programme	0	-400	-900	-900
** CR5	Eff/Inc	Increasing Commercial Services contribution	-500	-750	-750	-750
** CR6	Eff	Energy and Water Strategy	-90	-160	-210	-260
* CR7	Eff	Returns from Corporate Asset Investment Fund	0	0	-3,000	-3,000
** CR8	Eff/Inc	Revenue savings from capital programme	-35	-35	-35	-35
CR9	Inc	Expand Score + energy scheme	-100	-150	-200	-200
CR10	Eff	Review financial provision for future liabilities	0	0	-300	-300
CR11	Inc	Place to Live - Accommodation income	0	-75	-150	-150
TOTAL Corporate Resources			-815	-1,735	-5,760	-6,010
<u>CORPORATE SAVINGS</u>						
* CS1	Eff	Review of key supplier contracts	-250	-250	-250	-250
CS2	Eff	ICT Incubation Team - to enable efficiencies and new ways of working	-50	-100	-150	-200
CS3	Eff	Efficiency and productivity programme	0	-4,000	-6,000	-8,000
TOTAL			-300	-4,350	-6,400	-8,450
<u>CENTRAL ITEMS</u>						
** CI1	Inc	Financial Arrangements - growth in ESPO income	-100	-140	-180	-220
** CI2	N/A	Minimum Revenue Provision (MRP)	-500	-4,000	-4,000	-4,000
TOTAL			-600	-4,140	-4,180	-4,220

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CORPORATE RESOURCES - CAPITAL PROGRAMME 2019/20 to 2022/23 - Draft

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
<u>Corporate Resources - General</u>					
Fit for the Future	3,000	0	0	0	3,000
<u>ICT</u>					
Local Area Network (LAN) Edge Refresh - County Hall & Remote sites	450	0	200		650
Storage Area Network (SAN) Replacement	250				250
ASA Firewall Replacements	100				100
Windows 10 & Office 2016	160				160
Replacement ITSM toolset and User Portal (Marval replacement project)	120	120			240
Corporate ICT Programme - Smaller Projects	200	170	50	70	490
Sub total ICT	1,280	290	250	70	1,890
<u>Property Services</u>					
Watermead Park Footbridge and Cycleway	750				750
Workplace Strategy - subject to business case	500	500			1,000
Snibston & Country Park Future Strategy	550				550
Hand and Arm Vibration (HAV) Equipment	100				100
Sub total Strategic Property	1,900	500	0	0	2,400
Total Corporate Resources	6,180	790	250	70	7,290
<u>Future Developments - subject to further detail and approved business cases</u>					
VDI Refresh					
Major System Replacements - IAS, Mosaic, Capita One, STADS					
Commercial Strategy					
Agile Working pilots					

CORPORATE - CAPITAL PROGRAMME 2019/20 to 2022/23 - Draft

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Corporate Asset Investment Fund (CAIF)					
LUSEP Development	4,000	10,240			14,240
Airfield Business Park - Phase 1	4,210				4,210
East of Lutterworth SDA	27,270				27,270
Coalville Workspace Project - Vulcan Way	2,520				2,520
County Farms Estate - General Improvements	200	200	200	200	800
Industrial Properties Estate - General Improvements	250	250	250	250	1,000
Asset Acquisitions / New Investments - subject to Business Case*	4,000	4,000	4,000	5,000	17,000
Sub total CAIF	42,450	14,690	4,450	5,450	67,040
Energy Strategy					
Energy Efficiency Standards - Energy Performance Certificate requirements	50	50	50		150
Energy & Water Strategy - Invest to save	300	300	300	300	1,200
Score + (Schools Energy Trading)	1,000	1,000			2,000
	1,350	1,350	350	300	3,350
Total Corporate Programme	43,800	16,040	4,800	5,750	70,390

Future Developments - subject to further detail and approved business cases	
*CAIF - Asset Acquisitions / New Investments County Farms Estate - Compliance and Renewal Programme Airfield Business Park Phase 2 Bardon Interlink Billesdon Employment Units East of Lutterworth SDA - Phase 2 Quorn Development & Solar Farm Stoney Stanton SDA Sysonby Farm employment and commercial development Embankment House Development Land of Meynell Road, Quorn Anaerobic Digestion Battery Storage District Heating	Decisions taken in accordance with the Corporate Asset Investment Fund Strategy and governance from the CAIF advisory board.



CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE
22 JANUARY 2019

MEDIUM TERM FINANCIAL STRATEGY 2019/20 – 2022/23

MINUTE EXTRACT

Medium Term Financial Strategy 2019/20 – 2022/23

The Committee considered a joint report of the Director of Children and Family Services and the Director of Corporate Resources which provided information on the proposed 2019/20 to 2022/23 Medium Term Financial Strategy (MTFS) as it related to the Children and Family Services Department. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Chairman welcomed Mr I D Ould CC, Cabinet Lead Member for Children and Family Services, to the meeting for this item. Mr Ould praised the work of the officers in ensuring that the budget was as positive as could be expected.

Arising from the discussion, the following points were raised:

Service Transformation

- i) Concern was raised around the lack of certainty of future contributions from partner funding and the Government's Troubled Families grant to support the Supporting Leicestershire Families (SLF) programme. This would equate to a loss of £2.3 million of income from October 2020. The Office of the Police and Crime Commissioner had recently confirmed the continuation of funding towards the SLF programme. The Cabinet Lead Member reported that there was to be a ministerial visit to Leicestershire on 7 February to discuss the programme, and support for SLF had been received from Ministers. A report was due to be presented to the March meeting of the Committee on the evaluation of the Early Help Review.

Proposed Revenue Budget

- ii) The revenue budget had not taken into account any pay or price inflation. A central contingency was held which would be allocated to services as necessary.

Growth

- iii) Attention was drawn to G2 – Supporting Leicestershire Families – transition to a new model when external funding ceases. The 2018/19 MTFS had made provision of £1 million per annum for 2018/19 and 2019/20, after which this funding would be removed.
- iv) Other significant areas of growth included Unaccompanied Asylum Seeking Children, due to the volatility of this area, and the use of agency staff in Children’s Social Care. Although the Department’s Recruitment and Retention Strategy was starting to have a positive impact, there would be an ongoing need for agency staff to cover vacancies.

Savings

- v) There were no new savings against the Department’s budgets in this MTFS.
- vi) It was noted that the annual target for CF2 – Growing Mainstream Internal Foster Carer Provision – had fallen short in 2018/19. However, this had been offset by the savings achieved from the recruitment of specialist foster carers, and it was anticipated that the target would be fully achieved in 2019/20 as a result of successful recruitment campaigns. Members highlighted that, whilst increasing foster carer provision did deliver savings for the department, it was also a better way of delivering services.
- vii) The contract for Wrap Around Therapeutic Services had now commenced and savings were expected to accrue from 2020/21. An update on the progress of this would be provided to the Committee in due course.
- viii) With regard to the savings from disabled children’s respite care, it was noted that this related to the review of a specific contract to ensure that a greater range of options for respite care were available to service users.

Dedicated Schools Grant/Schools Block

- ix) Under the National Funding Formula, there was a mixed picture as to how schools were managing financially. A new project had been developed to work with schools to look at developing their financial capacity as there were some concerns around the way schools were forecasting their budgets. A new post would be recruited to, for two years, to work with schools on their budgets in order to get a clear picture of the situation. The County Council had also considered a number of factors which could indicate whether a school was operating well financially, but no correlation had been found between the school’s position and any specific funding.
- x) In terms of the teacher’s pay increase, schools had received a grant, which had commenced in September 2018, to cover the cost of the teacher’s pay award. This was funded on a per pupil basis and the general response that had been received from schools was that this was covering the cost. A new grant was also expected in September 2019 to

cover the increase in the employer's contribution to the teacher pension scheme.

- xi) In relation to a query around the National Funding Formula calculating notional school allocations based upon pupil characteristics, it was stated that this ensured that schools were given the same amount of funding for pupils with the same characteristics, irrespective of where the school was located. However, there would still be a degree of unequal funding to local authorities, as specific characteristics such as deprivation, low attainment and the receipt of free school meals, determined different levels of funding.
- xii) The financial challenges faced by Church of England schools was significant, with more than half of all such schools nationally at risk of becoming insolvent over the next few years. It was therefore pleasing to note the work being undertaken in respect of school financial planning.

High Needs

- xiii) The confirmed level of funding for the High Needs DSG was detailed in the report; no inflationary increases had been assumed although it was hoped that they would be made available.

Specific Grants

- xiv) It was difficult to confirm when some of the specific grants for the department would be allocated. In particular, the Early Years DSG grant would not be confirmed until June 2020, which was after the 2019/20 financial year. There was no indication that any of the grants would not be available for the 2018/19 financial year.
- xv) The County Council acted as the conduit for maintained schools in relation to grants around maintained school sixth forms, pupil premium, universal infant free school meals, and the PE and Sports grant.
- xvi) The government had now confirmed that it would fund the additional responsibilities associated with the Virtual School until 2020.
- xvii) The Youth Justice Good Practice grant had not yet been confirmed. It was assumed that it would be at the same level as 2018/19, but if this was not the case, it would perhaps be necessary to make some reductions to services. Previous reductions in service had not prevented the County Council from meeting its statutory requirements. However, if further reductions in service were made this could be a risk.

Capital Programme

- xviii) The programme focused on two significant areas, one of which was the need to provide additional primary school places. An estimated 895 additional places would be delivered in 2019/20. In response to a query, it

was not possible to ensure that these places would only be allocated to Leicestershire county children. The County Council had a duty to ensure that there were sufficient school places within the county for the children of Leicestershire; this was the case.

RESOLVED:

- a) That the report and information now provided be noted;
- b) That the comments now made be forwarded to the Scrutiny Commission for consideration at its meeting on 28 January 2019.