



**SCRUTINY COMMISSION - 28 JANUARY 2015**

**MEDIUM TERM FINANCIAL STRATEGY 2015/16 – 2018/19**  
**CORPORATE RESOURCES & CORPORATE ITEMS**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**Purpose of Report**

1. The purpose of this report is to:
  - a) provide information on the proposed 2015/16 to 2018/19 Medium Term Financial Strategy (MTFS) as it relates to the Corporate Resources Department and Corporate Items; and
  - b) ask the Commission to consider any issues as part of the consultation process and any response it may wish to make.

**Policy Framework and Previous Decisions**

2. The County Council agreed the current MTFS in February 2014. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2015/16 – 2018/19 was considered by the Cabinet on 11 December 2014.

**Background**

3. Reports such as this have been presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process before recommending a MTFS including a budget and capital programme for 2015/16 to the meeting of the County Council on the 18 February 2015.

**Financial Strategy**

4. The MTFS is set out in the report to the meeting of the Cabinet on 11 December, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Corporate Resources Department.

**Service Transformation**

5. The savings proposals outlined in the MTFS for Corporate Resources can be delivered under the existing operating model. Whilst this provides assurance that the savings can be delivered it may not be the best approach to providing support services for the County Council in the longer term.
6. Although the delivery of the savings is expected to be extremely challenging it provides an opportunity to review how support services across the County Council are to be

delivered. The intention is to starting with the question “what sort of support services will the organisation need in the future?” Transformation will lead to designing a new streamlined, concentrated and coordinated support service function to enable the County Council to cope with the reduced support service capacity.

7. The transformation of support services will require:
- A review of the current organisation of support functions, both within Corporate Resources and across the County Council.
  - Developing the existing manager self-service model.
  - Strengthening support for commissioning and partnering.
  - Changing the level and type of support where services have reduced or changed focus.
  - Maintenance of support for the County Council’s Transformation Programme.
8. Even without a new operating model the characteristics of the Corporate Resources Department have changes significantly. The Department has always had three purposes, namely:
- Provision of support services for the County Council,
  - Direct provision of several front line services and
  - Management of Traded services.
9. The relative size of these has changed, over time, the most drastic change being the dependency upon external income. In 2010-11 74% of the Department’s costs were funded by grants and Council Tax, by 2015/16 this will have reduced to 55% with the level expected to have reduced to below 50% by the end of the current MTFS.
10. Whilst trading does present opportunities for the County Council it also has the potential to increase the level of volatility in the Department’s finances. This is compounded by the reduction in discretionary expenditure, following savings, meaning that the proportion of fixed costs has increased.

### **Proposed Revenue Budget**

11. The table below summarises the proposed 2015/16 revenue budget and provisional budgets for the next three years. The proposed 2015/16 revenue budget is shown in detail in Appendix A.

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Updated original budget	32,859	33,924	31,719	29,689
Other changes	0	0	0	0
Budget Transfers and Adjustments	3,010	0	0	0
<b>Sub Total</b>	<b>35,869</b>	<b>33,924</b>	<b>31,719</b>	<b>29,689</b>
Add proposed growth (Appendix B)	340	20	30	30
Less proposed savings (Appendix B)	-2,285	-2,225	-2,060	-3,945
<b>Proposed/Provisional budget (Appendix A)</b>	<b>33,924</b>	<b>31,719</b>	<b>29,689</b>	<b>25,774</b>

12. Detailed budgets for 2015/16 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. The central contingency also includes provision for an increase in the employer's contribution to the Local Government Pension Scheme in 2015/16 and the following three years based upon the triennial actuarial revaluation of the pension fund.
13. The proposed net budget for 2015/16 totals £33.9m and is set out below:

	£000
Employees	41,879
Running Costs	32,621
<b>Gross Costs</b>	<b>74,500</b>
Income	-40,576
<b>Net Budget</b>	<b>33,924</b>

### Other Changes and Transfers

14. A number of budget transfers (£3.0m) were affected through the 2014/15 financial year that are now adjusted for in the updated original budget. These occur as a result of budget transfers enacted during the year arising from:
- a transfer from the centrally held inflation contingency to cover unavoidable increases on external supplies, primarily utility costs, building maintenance expenditure and corporate contracts (£0.4m);
  - a transfer of the corporate growth relating to property maintenance and ICT to the department (£0.3m);
  - a transfer to the department for the costs of supported employment that was previously held by the Adults & Communities Department (£0.2m);
  - Amalgamation of departmental change budgets with the Change Management Unit budget to form the Transformation Unit (£0.7m);
  - Centralisation of existing property and liability insurance expenditure, from all departments, into a centrally held budget (£1.4m)
15. 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
16. This star rating is included in the descriptions set out for growth and savings below.

### Growth Items

17. Details of proposed growth are set out in Appendix B and total a net reduction of £0.1m. These are detailed in the following paragraphs.

### Corporate Resources Items

18. \*\* G19 Revenue consequences of Corporate ICT capital programme & PSN compliance; £40,000 in 2015/16 rising to £120,000 by 2018/19.  
The draft capital programme includes provision for the replacement of ICT infrastructure and licences. This revenue growth relates to support and licensing costs of the upgraded and expanded infrastructure.  
Also included here is investment in software to manage mobile devices (£25,000), to maintain compliance with the Public Service Network (PSN) requirements.
19. G20 Data Integrity & Systems Resilience; £200,000 in 2015/16.  
The technology environment of the County Council has become increasingly complex, with a growing need to integrate increasingly sophisticated systems. To ensure that the services can continue to rely upon a robust technology environment and ensure that systems changes can be supported growth is proposed in two areas:
- In the finance function to maintain the integrity of information and operation of financial process. The new roles will perform and resolve reconciliation between systems, monitor the status of transactions in financial processes and provide expertise with issues or when systems are changed.
  - ICT has a requirement for two new roles. Firstly to co-ordinate and schedule work requirements on ICT systems and the provision and management of environments for large scale projects. The second role will have two key purposes i) forward planning of technological infrastructure and ensuring best practice implementation procedures are in place; ii) Planning and operation of the ICT Disaster Recovery plan.
20. G21 Development of Digital Services; £100,000 in 2015/16.  
As part of the delivery of the Online Services project, a new Digital Services Team is being created. This will provide direction for all digital initiatives, such as creation of new microsites and supporting service changes, for example online requirements from the Care Act. The new team will lead a more customer focussed approach, with this funding providing for the additional staff roles and initial website costs related to the increased requirement for website usage information, user research skills and hosting of websites.

### Corporate Items

21. \* G22 Removal of time-limited growth for school place planning strategy; reduction of £500,000 in 2015/16.  
One-off funding of £0.5m was provided in 2014/15 to establish a dedicated cross departmental team to research, plan and co-ordinate the significantly increased C&FS capital programme.

### Corporate Resources Savings

22. Details of proposed savings are set out in Appendix B and total £10.5m. These are detailed in the following paragraphs.

## Transformation Savings

23. There is an implicit assumption for the majority of the savings being proposed for Corporate Resources that the organisation will reduce in both size and number of activities. Whilst the majority of these savings are classed as efficiency there will be an impact internally upon the County Council. Expected implications include:
- More requirements for managers and staff, to embrace self-service.
  - There will be less capacity to support transformation. These requests will have to be met from one-off resources, primarily the transformation earmarked fund.
  - Central departments will be less responsive to requests for support, with a need to prioritise.
  - Central support will be more standard in nature.
  - Greater financial dependency on traded services, i.e. as Corporate Resources shrinks and their relative financial contribution grows.
  - The County Council will need to consider new ways to mitigate a potential increase in risks.

24. The specific saving proposals are detailed below.

25. \*\* T24 Review of Strategic Finance & Property; £100,000 in 2014/15 rising to £720,000 by 2018/19.

The main source of savings will be delivered through staffing reductions, across all of the main teams and levels of staff (£655,000). Due to its size relative to the other functions accountancy represents the majority of staff savings, this will be partially enabled by the implementation of a new reporting tool.

Additional income from Internal Audit's trading will make a contribution to the section's savings (£25,000). The balance of savings (£40,000) has been secured by increasing the County Council's self-insured retention in respect of the liability risk from £150,000 to £250,000. The reduction in premium is expected to more than offset the additional claims that the County Council will have to pay directly for.

26. \*\* T24 Operational ICT review; £480,000 in 2015/16 rising to £2,140,000 by 2018/19.

The largest element of savings will be achieved through staff reductions (£960,000), although this could change depending upon the success of other schemes. These will be achieved through a range of initiatives, including: consolidation of teams, automation of tasks and standardisation of equipment/systems.

Contract reductions are a significant contributor to the overall total (£870,000). This will be found across a range of external contracts, through a mixture of renegotiation, system/equipment replacement and rationalisation of use. Although deliverability is dependent upon external parties and replacement of existing equipment/systems approximately one third of these savings have already been secured.

Improvements in Operational ICT's trading activities are expected to make an increased contribution (£310,000) from a combination of new customers and reducing support costs. This will, in part, be dependent upon securing contracts with schools outside of Leicestershire.

27. \*\* T24 Review of People, Procurement and Transformation; £365,000 in 2015/16 rising to £875,000 by 2018/19.

The main source of savings will be delivered through staffing reductions (£745,000). Savings in management and staff will be targeted from HR, Learning and Development (L&D) and the Transformation Unit.

Additional income will contribute to the section's savings (£70,000). This is from a combination of expanding the existing Health and Safety trading with academies and trading of L&D services to the social care sector.

The balance of savings (£60,000) is expected to be delivered through a reduction in lower priority L&D expenditure.

28. \*\* T24 Strategic Information Technology & Comms Review; £55,000 in 2015/16 rising to £590,000 by 2017/18.

The main area of savings is expected to be staff reductions (£510,000). This will be from reductions in capacity for the following functions: Management, Architecture and Solution Design, Information governance/security, Online and data management and Communications.

The main contribution from non-staff savings (£80,000) is expected to come from additional income from design and media relations.

29. \*\* T24 Operational Property review; £655,000 in 2015/16 rising to £1,770,000 by 2018/19.

The facilities management and maintenance contracts are the main contributors towards reduced contract expenditure (£930,000). Cost reductions will be delivered through renegotiation supported by smaller savings from specification reductions and reduced waste and postage costs.

Additional income is a significant contributor to the savings in this area (£245,000.) The majority will be achieved from the industrial properties and farms portfolio. Additional investment is proposed through the capital programme to improve the occupancy levels of the estate. Increased trading contribution from the various property services is also proposed, with academies expected to be the main source of additional income.

Savings from site closures (£200,000) relating to a range of service changes will deliver savings over the course of the MTFs. The savings are dependent upon the site being disposed of rather than usage simply reducing.

A range of initiatives are proposed to deliver staff savings from a number of teams (£245,000). The balance of the savings (£150,000) has been achieved from a review of and reduction of a range of budgets across the function.

30. \*\* TBC Senior Management & Business Support; £140,000 in 2016/17 rising to £310,000 by 2018/19.

A reduction in the senior management and associated support is proposed. The savings has been expanded to include potential benefits from a wider review of business support.

31. \*\* TBC Improvements to Properties and Assets; £200,000 in 2015/16 rising to £760,000 by 2018/19.

Savings are proposed from a more energy efficient property estate (£400,000). The contract to implement the initial capital work is currently being undertaken, with the largest benefits expected to be gained from installation of solar panels and a biomass boiler at County Hall. In addition a range of lower cost and behavioural change measures have been identified to enable savings. This will allow a rolling implementation programme of a wide range of invest to save projects, for the entire corporate estate.

Further savings (£360,000) relate to the County Hall Master plan project. This transformation project aims to invest and implement new ways of occupying the existing County Hall campus to reduce property running costs, particularly by vacating high energy use areas and increasing space available for rental to external parties.

### Departmental Savings

32. \*\* D81 Improved performance and growth of trading services; £735,000 in 2015/16 rising to £1,150,000 by 2018/19.

In addition to existing MTFS improvement targets an additional contribution (£1 million) was targeted from traded services in the department. This has been combined with the existing School Food Service target (£150,000), although it should be noted that other trading improvements are contained within other savings lines and identified in the accompanying explanation.

The School Food Service (£735,000) is the largest contributor to this saving. The launch of universal infant free school meals has resulted in a significant increase in take-up for the service. Whilst accommodating additional meals volume the service has improved its productivity (meals produced per hour) and maintained its cost of central support. If the policy is discontinued there will be a detrimental impact upon the earnings of the service.

The industrial property and farms portfolio will make an additional contribution (£305,000). As described in paragraph 29 capital investment will allow improvements to the estate resulting in improved rental income and reduced maintenance costs.

Other property services will contribute to the saving (£230,000), with the Sites Development service providing the majority of this through additional trading with a wider range of customers.

The final contribution to this savings area is from the ESPO surplus (£50,000), as confidence grows that the level received in recent years is sustainable.

The launch of the Education Funding Agency's new risk pooling insurance arrangement for Academies has ended the County Council's own scheme. Whilst mitigations continue to be investigated they will not be able to resolve all of the lost contribution. Hence the savings above are partially offset by the loss of Insurance income (£170,000).

33. \*\* D82 Efficiency savings from sharing services with Nottingham City Council; delayed saving of £190,000 in 2015/16 changing to a £200,000 saving in 2017/18.  
Since its launch the East Midlands Shared Service (EMSS) has delivered £920,000 of efficiency savings of which LCC's share is £460,000. Whilst the intention remains that the remaining MTFs savings will be delivered, stabilisation of the service has taken longer than expected. Plans to deliver the remaining savings are being developed.
34. D83 Review of the Customer Service Centre; saving of £130,000 in 2018/19.  
Efficiency improvements planned for the Customer Service Centre are expected to create capacity within the existing teams. This will allow either headcount reductions or additional work to be taken on with minimal headcount increase.
35. \*\* D84 Contingency; £175,000 reduction in 2015/16 changing to a £50,000 reduction by 2018/19.  
The various savings proposals outlined in the paragraphs above have different degrees of risk associated with them. The Department continues to set a higher savings target than required. This will provide a contingency if some of the proposed changes are not fully achieved or delayed.
36. \*\* D85 Country Parks & Forestry - reduction of maintenance on parks and cessation of the free tree planting scheme; £10,000 in 2015/16 rising to £55,000 in 2017/18  
The forestry element of this saving relates to a cessation of the free tree scheme that was initially reduced in the last MTFs (£35,000). The Country Parks proposal is for the existing number of sites to be maintained with fewer resources.
37. \*\* D86 End support for community ICT; £70,000 in 2016/17.  
It is proposed to withdraw internal and third party contract support for Community ICT that is currently provided without charge. This support covers Leicestershire Villages and a number of partnership sites.
38. D87 Vacancy management for supported employment; £50,000 in 2015/16 rising to £100,000 by 2017/18.  
As retirements take place over the next few years the intention is not to replace staff who leave or reduce their working hours. There are currently 28 FTE in this area, including team leaders and supported employees.

### Emerging Savings

39. E81 Further review of strategic support to departments; £280,000 in 2017/18 rising to £1,695,000 by 2018/19.  
Due to the nature of the various strategic functions the savings will be predominantly from staff reductions. The intention is to review the way support services are delivered to mitigate some of the adverse impacts of these savings. Although increased use of prioritisation and a change in the way departments are supported is inevitable.

An initial allocation of the savings have been made to aid planning, although a key uncertainty remains about the relative demand on resources in the future. The provisional allocation of savings is:

- £0.4m Strategic Information & Technology
- £0.2m Transformation
- £0.6m People & Procurement
- £0.5m Strategic Finance & Property



## Other Funding

40. Corporate Resources receives a significant amount of trading income from external sources, including retained schools. For 2015/16 this trading income is expected to be in excess of £30m or 40% of the gross departmental budget. Schools and academies are the largest customer group accounting for £20m of the income. The certainty of this income has reduced due to cost pressures being faced by public sector partners and the academy conversion process that has increased competition. Trading performance continues to be encouraging, but significant uncertainty exists in the markets that the Department operates in.
41. Earmarked funds are used to supplement the base budget where available resources are not sufficient to meet demand. Over the course of the MTFs the main reason for holding earmarked funds is expected to support the transformation programme and other departmental initiatives. Significant activities that are financed by the earmarked funds, which have been identified to date, are: The funding of additional Transformation Unit resource, project expenditure (e.g. County Hall Masterplan), ICT development work, ICT renewals and property asset management projects. Additional use of earmarked funds may be added during the year, if projects are approved for implementation that cannot be met through the base budget.

## Capital Programme

### Corporate Resources Programme

42. The draft Capital Programme is summarised in the following table and the detailed programme is set out in Appendix C. The programme is discretionary, hence is funded from general capital receipts and revenue funding, with a contribution from earmarked funds.

<b>Project</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>Total £000</b>
ICT Services	1,450	500	600	950	3,500
Industrial Properties & County Farms	400	400	400	400	1,600
Melton KE VII - Replacement Playing Fields	400	0	0	0	400
<b>Total</b>	<b>2,250</b>	<b>900</b>	<b>1,000</b>	<b>1,350</b>	<b>5,500</b>

43. The ICT Services programme covers three broad areas:

- Re-provisioning of the ICT data centre at County Hall (£950,000 in 2015/16). The current facilities do not meet modern standards from a technology resiliency or energy efficiency point of view.
- The on-going replacement, capacity growth and essential upgrading of ICT infrastructure across the corporate estate (£500,000 per annum growing to £550,000 from 2017/18). The actual expenditure will depend upon which needs arise and their relative importance. The main items of expenditure over the MTFs period are expected to be; increase capacity and renewal of the Storage Area Network (SAN); upgrade and replacement of servers with a focus on improved resiliency; telephony replacement and upgrades.

- Refresh of the corporate wide area network whose contract expires in summer 2018 (£450,000 from 2017/18 to 2018/19). This project is funded from the ICT Renewals earmarked fund, built up from annual contributions.

44. The Industrial Properties & County Farms scheme consists of two parts:

- County Farms investment (£150,000 per annum) for continued general upgrade of facilities at all sites in order to meet statutory and contractual requirements.
- Industrial Properties investment (£250,000 per annum) will allow improvements to the existing estate resulting in improved occupancy levels and reduced maintenance costs. This scheme is funded by income earned through the portfolio of industrial properties.

45. The Melton KE VII - Replacement Playing Fields scheme is an investment, subject to business case, to improve the potential sale value of surplus land. The investment will require some expenditure at the former King Edward VII School in Melton Mowbray and provision of replacement playing fields.

### **Corporate Programme**

46. The draft Capital Programme is summarised in the following table and the detailed programme is set out in Appendix C. The programme is discretionary, hence is funded from general capital receipts and revenue funding.

<b>Project</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>Total £000</b>
Corporate Asset Investment Fund	1,500	5,000	5,000	3,500	15,000
Energy Strategy	900	1,320	0	0	2,220
County Hall Master Plan	1,500	1,760	500	500	4,260
<b>Total</b>	<b>3,900</b>	<b>8,080</b>	<b>5,500</b>	<b>4,000</b>	<b>21,480</b>

47. The Corporate Asset Investment Fund has been established, with oversight from the member led Asset Investment Fund Board, to add and develop the County Council's portfolio of property and land assets including County Farms and commercial properties with a view to:

- Meet the aims of economic development.
- Improving the quality and quantity of land and property available.
- Ensuring the sustainability of the County Farms portfolio by replacing land sold.

48. It will have the incidental benefit of generating a surplus which could be used to support the County Council's functions.

49. The Energy Strategy programme is a series of invest to save measures to deliver revenue savings and carbon reduction in line with the Environment Strategy. The types of improvements being implemented include: renewable energy generation, behavioural change, energy efficiency improvements to heating and lighting and improvements to energy consumption measurement, monitoring and reporting.

50. The County Hall Master Plan scheme has two main elements:

- Key Maintenance projects (£500,000 per annum from 2016/17) that are too large to accommodate in the annual maintenance programme. The main elements planned are; renewal of the heating system; window replacements in the basement and Rutland building; and re-roofing and waterproofing of specific areas.
- Investment (£2,760,000 across 2015/16 and 2016/17) in new ways of occupying the existing County Hall campus to reduce property running costs, particularly by vacating high energy use areas and increasing space available for rental to external parties. This project completes the work started in 2014/15 to refurbish the former Fire HQ.

### **Recommendation**

51. The Commission is asked to consider the report and any response they may wish to make.

### **Background Papers**

Cabinet 11 December 2014 - Medium Term Financial Strategy 2015/16 to 2018/19

### **Circulation under Local Issues Alert Procedure**

None.

### **Officers to Contact:**

Brian Roberts, Director of Corporate Resources, Corporate Resources Department  
Tel: 0116 305 7830  
E-mail: [brian.roberts@leics.gov.uk](mailto:brian.roberts@leics.gov.uk)

Chris Tambini, Assistant Director, Strategic Finance and Property, Corporate Resources Department  
Tel: 0116 305 6199  
E-mail: [chris.tambini@leics.gov.uk](mailto:chris.tambini@leics.gov.uk)

Declan Keegan, Finance Manager, Corporate Resources Department  
Tel: 0116 305 7668  
E-mail: [declan.keegan@leics.gov.uk](mailto:declan.keegan@leics.gov.uk)

### **Appendices**

Appendix A – Revenue Budget 2015/16  
Appendix B – Growth and Savings 2015/16 – 2018/19  
Appendix C – Capital Programme 2015/16 – 2018/19

## **Equality and Human Rights Implications**

52. 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.
53. Many aspects of the County Council's MTFS may impact upon 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. Assessments are being undertaken in light of the potential impact of proposals and the timing of the proposed changes. Those assessments will be revised as the proposals are developed.
54. 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.