Agenda Item 10

Leicestershire County Council

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:

a) £1.3m for pay (including increments relating to the National Living Wage) and pension inflation transferred from the central inflation contingency; and
b) £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.

<u>Growth</u>

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

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

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

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

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.

<u>Savings</u>

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

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

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

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

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

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

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

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. <u>Energy Strategy: £3.35m over the MTFS period</u>

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.

Officers to Contact

Chris Tambini, Director of Corporate Resources
Tel: 0116 305 6199
E-mail chris.tambini@leics.gov.uk

Declan Keegan, Director of Finance, Corporate Resources Department
Tel: 0116 305 7668
E-mail: declan.keegan@leics.gov.uk

Steve Robbins, Finance Analyst
Tel: 0116 305 8105
E-mail: steve.robbins@leics.gov.uk

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.

This page is intentionally left blank