



SCRUTINY COMMISSION: 27 JANUARY 2020

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

MEDIUM TERM FINANCIAL STRATEGY 2020/21–2023/24
CORPORATE RESOURCES

Purpose of Report

1. The purpose of this report is to:
 - a) Provide information on the proposed 2020/2021 to 2023/24 Medium Term Financial Strategy (MTFS) as it relates to the Corporate Resources Department;
 - b) Ask members of the Scrutiny Commission 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 2019. The draft MTFS for 2020/21–2023/24 was considered by the Cabinet on 17 December 2019.

Background

3. The MTFS is set out in the report to Cabinet on 17 December 2019, 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 2020 before recommending a MTFS, including a budget and capital programme for 2020/21 to the County Council in February 2020.

Service Overview

5. Corporate Resources (CR) provides front line, traded and support services to enable the organisation to be efficient and effective 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 drives efficiencies.

Proposed Revenue Budget

8. The table below summarises the proposed 2020/21 revenue budget and provisional budgets for the next three years.

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Original prior year budget	32,930	32,805	32,515	32,125
Budget Transfers and Adjustments	1,905	1,000	0	0
Sub total	34,835	33,805	32,515	32,125
Add proposed growth (Appendix B)	565	-100	-100	-100
Less proposed savings (Appendix C)	-2595	-1190	-290	-530
Proposed/Provisional net budget	32,805	32,515	32,125	31,495

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. This 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 £91.9m with a gross budget for 2020/21 of £67.1m after accounting for internal income, recharges and contributions from earmarked funds of £24.8m. Trading income and other grants are projected at £34.3m resulting in a proposed net budget for 2020/21 of £32.8m which is distributed as follows:

Net Budget	2020/21
Strategic Finance & Property, Assurance and EMSS	£6.2m
Corporate Services - People, Information & Technology and Transformation	£15.8m
Customer and Property Services	£12.4m
Commercial Services net contribution	-£1.6m
Department Total	£32.8m

Other Changes and Transfers

12. The original 2019/20 Corporate Resources budget has been increased by £1.9m to account for the transfers listed below:
- a) £1.2m for pay (including increments relating to the National Living Wage) and pension inflation transferred from the central inflation contingency

- b) £0.8m of funding transferred from Adults and Communities relating to the operating cost of the Adaptations Team transferred to Leicestershire Traded Services (LTS) Property from April 2020.
- c) (£0.1m) of funding for Central Maintenance Fund (CMF) for Waste transferred from LTS Property to Environment and Transport.

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 for 2020/21 is £0.6m, representing 1.7% of the existing net Corporate Resources budget. Details are included below.

17. G36 Customer Service Centre – Temporary Additional Resource - £0.3m 2020/21 reducing to £0.0m by 2023/24.

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.

Additional resources are temporarily required to meet additional demand due to the recent extension to the Blue Badge scheme and the delay to realising efficiencies and savings from technological improvements to working practices. This additional budget will be reduced by £0.1m each subsequent year of the MTFS.

18. G35 Strategic Property Services – Additional resources to manage the increasing asset portfolio held by the Authority - £0.12m.

Following the Strategic Property Services action plan, additional resources have been identified in the Asset Management Team to manage the increasing asset portfolio held by the Authority. It has been necessary to restructure Strategic Property Services to address the changing demands for its services and the roles that it undertakes to deliver ever increasing demands on staff and resources. The Asset Management Team needs to be strengthened to fulfil its role as the Corporate Landlord.

19. G37 Improved complaints handling – Additional resource to manage complaints to the Authority - £0.05m

Additional resource required to manage the increased workload.

20. G38 LTS Country Parks – Additional resources to support Country Parks and Open Spaces Strategy - £0.1m

Additional management resource required to ensure the implementation and coordination of the agreed strategy.

Savings

21. The MTFs proposed savings for Corporate Resources total £2.6m for 2020/21 rising to £4.6m by 2023/24. The main savings are detailed below.

22. *CR1 Eff Review of staff absence - £0.025m in 2020/21

This reflects the intention to meet or exceed the County Council's target of 7.5 days per FTE. Corporate Resources met the sickness target, however in recent months the annualised figure has increased due to several long-term illnesses within the department. A combination of increased visibility and awareness of absence management policies, training for managers and a renewed focus on performance is working to improve the position.

23. *CR2 Eff Workplace Strategy - £0.2m in 2021/22 rising to £0.6m in 2023/24

Following 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.

The Workplace Programme was initiated to bring together key workstreams of IT, Property, Transformation, HR/OD and Communications to work collaboratively to drive new, more flexible, ways of working. The Workplace Programme is not simply about how the physical workplace is used (desks and buildings), but about successfully delivering changes in both culture and infrastructure which will maximise the potential benefits of embedding new ways of working within the Council.

Progress on the Workplace Strategy has continued at pace, with a pilot being rolled out to look at how LCC staff use ICT systems and to baseline worker styles and costs.

24. **CR3 Eff / Inc Increasing Commercial Services contribution - £0.25m by 2023/24

Between 2016 and 2020 LTS had a target to increase the contribution it makes to Leicestershire County Council by a net £2m through a combination of increased sales, customers and prices and reducing costs.

In 2018/19 LTS achieved a surplus of £1.6m. This was £0.4m below target in part due to additional wage cost pressures resulting from the increased National Living Wage (NLW). This pressure will continue with the Government's commitment to achieve a NLW of £10.50 per hour by 2024/25 which is expected to add an additional £0.4m per annum cost to School Food Services.

Pressure continues to be applied to increase revenues and reduce costs at every opportunity. LTS is increasing contribution each year, the operation is expected to achieve its contribution target of £2m in 2023/24.

25. *CR4 Eff Environment Improvements - Energy & Water Strategy- £0.07m from 2020/21, rising to £0.17m by 2023/24

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 targeting the use of renewable energy. Schemes such as the biomass boiler at County Hall and the installation of Solar Panels across the Council's estate have previously delivered savings in excess of £0.13m annually.

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 £0.02m 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.

Property Services will continue to investigate opportunities to 'trade' Energy Performance upgrades with public sector partners in an approach similar to the Schools Collaboration on Reducing Energy (Score+) scheme described in paragraph 26 below. 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.

26. *CR5 Inc Environment Improvements – SCORE and Energy efficiency scheme – £0.05m from 2020/21 rising to £0.1m 2021/22

The Score+ scheme 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 can 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.

The Score+ scheme is now well established at Hinckley Parks and is generating a regular income stream from the repayment of the capital works. An additional scheme has been agreed at Countesthorpe College and work will start on this scheme shortly, with a regular income stream to the Council anticipated. Energy Assessments are being undertaken in partnership with Veolia at Hinckley Academy, Charnwood College and Lutterworth College and the Learn Trust, which has ten primary schools which may lead to full schemes (and resultant income) in the future.

27. *CR6 Eff Returns from Corporate Asset Investment Fund - £2.4m from 2020/21 rising to £3.0m in 2021/22

Asset investment possibilities are being appraised and, subject to the business case and views of the Corporate Asset Investment Fund Advisory Board, approved by the Cabinet or Director of Corporate Resources under delegated powers. These investments will generate an additional ongoing revenue stream or future capital receipts. 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 advanced 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.

An additional income of £1m in respect of interest returns on pooled property funds is included in the central items budget as part of bank interest received.

On-site developments at Apollo Business Park in Coalville and the first phase of Airfield Business park at Market Harborough are on time and on budget and will provide 120,000 sq. ft. of new business floor space and generate additional rental income during 2021/22.

The Loughborough University Science and Enterprise Park (LUSEP) 100,000 sq. ft. new headquarters for The Access Group is due to complete in July 2020.

28. ****CR7 Eff Review Financial Provisions for Future Liabilities - £0.3m from 2020/21**

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 from 2020/21.

29. ****CR8 Inc Place to Live – Accommodation Income - £0.04m in 2021/22, rising to £0.16m by 2023/24**

The Social Care Investment Programme (SCIP), led by the Adults and Communities Department, involves the County Council acquiring and developing supported accommodation for its vulnerable service users. As a result of owning the freehold to these buildings, the County Council will generate income from lease agreements with its newly chosen strategic landlord for the programme, Nottingham Community Housing Association.

Savings Under Development

30. The draft MTFS as presented to Cabinet on the 17th December 2019 shows a balanced position in 2020/21 and 2021/22 but shows shortfalls of £19.0m in 2022/23 rising to £38.9m in 2023/24. The Corporate Resources Department has been tasked with finding an additional £2.0m reduction to the department's net expenditure within the current MTFS window. Several initiatives are under development to meet the department's revised target as set out below.

Country Parks and Open Spaces Strategy

31. Initiatives to support Country Parks and Open Spaces Strategy including visitor attractions, park runs, family events and concerts will provide a commercial opportunity to offset existing County Park operating cost from ticket sales, car park revenue and café turnover.

This will build on the success of the café at Beacon Hill which opened last summer and based on current activity is expected to achieve a full year turnover of £170,000 together with additional car park takings of £45,000.

Beaumanor Outdoor Activity / Learning Centre

32. Beaumanor annually provides outdoor activities, both on a residential and day visit basis, to over 23,000 students from 500 schools based within the East Midlands Region. A business case is under development to providing an increase in residential capacity through the refurbishment of existing buildings and upgrading of facilities. Initial feasibility studies indicate a capital expenditure of £2.8m would be required to provide an additional 110 beds with an additional annual income expectation of £0.9m and net contribution of £0.4m.

Workplace Strategy

33. In addition to the savings to be delivered through the Workplace Strategy through a rationalisation of the Council's property portfolio, there is the potential for further savings to be delivered as a result of increased efficiencies from enhanced working practices, upgraded technology, improved wellbeing, as well as potential reductions in travel. These are still being investigated by the project team to quantify the exact cashable benefit.

Departmental Operating Costs

34. A review of all significant operating costs will take place with Assistant Directors to understand changes in demand and requirement across the period which need to be reflected within the MTFS.

Fit for Future

35. Updating the existing Oracle E-Business system with the latest Cloud based solution will deliver contract savings at the end of its implementation during 2020/21. Additional benefits are expected from self-serve modules allowing new ways of working, savings from which will be assessed and quantified in the next stage of the programme.

Digital

36. A digital team has been established in the ICT Service. This team will drive improvement and efficiencies across the Council, initially within Corporate Resources.

Corporate Asset Investment Fund (CAIF)

37. 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

38. The Corporate Resources capital programme totals £12.7m over the next four years including £4.3m in 2020/21 and is described in more detail in the following paragraphs.
39. ICT and Digital infrastructure and developments: £1.75m in 2020/21 with £6.7m 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 2020/21 including:

- £0.12m is required to replace the Information Technology Service Management (ITSM) tool and associated Customer Portal.
- £0.1m investment in a refresh of the Wireless Controllers approaching end of life.
- £0.28m (£1.6m across the MTFS) is required to support the Corporate ICT programme, which is to be used to ensure that all existing hardware remains supported to provide a stable and constant ICT function to the Authority.
- £0.25m is scheduled to be spent in 2020/21 (£1m across the MTFS) to support the Workplace Strategy through the provision of ICT devices in line with identified worker styles.
- £1m is required in 2020/21 (£3.7m across the MTFS) to deliver the End User Device refresh to support the Workplace Strategy Programme. This will see the provision of IT devices in line with worker styles including provision of laptops and corporate strategy for device refresh.

40. Property (Major Maintenance and Improvements): £2.19m in 2020/21 with £3.72m over the MTFS period

The property capital programme includes:

- £0.2m in year one (£1.4m across the MTFS) to implement the property element of the Workplace Strategy, including works to improve offices, costs of dilapidations of offices we are exiting and to include costs of churn to accommodate the new desk ratios.
- £1.0m to finalise the delivery of the Snibston and Country Park Masterplan, which will see the site transformed into a visitor destination, including an improved café offering and cycle park alongside a Country Park offering.
- £0.88m to purchase the covenant from the Coal Authority in relation to Snibston Country Park on the site of the formal Snibston Discovery Museum.
- £0.11m of a £0.44m scheme across the MTFS to replace the simplex and duplex lifts in the Pen Lloyd building at County Hall, which are in need of replacement following frequent breakdowns and an increasing cost of maintenance.

41. Climate Change - Environmental Improvements £0.33m in 2020/21 with £2.31m over the MTFS period.

The £0.33m comprises:

- 0.28m in 20/21 (£1.26m across the MTFS) to support the Energy and Water Strategy saving and invest in more energy efficiency schemes, such as improved lighting, boiler replacements, heating control enhancements and a further roll out of Solar Panels.
- £0.05m for additional investment in Electric Vehicle Car Charging Points, following the success of the initial deployment of 30 stations in 2018/19. The additional charging points will be targeted at public locations managed by the Council, such as Bosworth Battlefield and Beacon Hill, dependant on feasibility studies.

Future Developments

42. 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.

43. The potential programmes and schemes that may require capital investment in the future include:

- Information and Technology enabling projects and major systems replacement, including a potential VDI refresh;
- Commercial investments (including Beaumanor Outdoor Activity Centre) which can demonstrate 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

Background Papers

- Cabinet : 17 December 2019 – Medium Term Financial Strategy 2020/21 to 2023/24
<http://politics.leics.gov.uk/documents/b14938/Medium%20Term%20Financial%20Strategy%20202021%20to%20202324%20-%20Proposals%20for%20Consultation%20Tuesday%2017-Dec-2019.pdf?T=9>

Circulation under local issues alert procedure

None.

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Appendices

Appendix A – Revenue Budget 2020/21
Appendix B – Growth
Appendix C – Savings
Appendix D – Capital Programme 2020/21 – 2023/24

Equality and Human Rights Implications

44. 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.
45. 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.
46. 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.