



**SCRUTINY COMMISSION - 25<sup>th</sup> JANUARY 2021**

**MEDIUM TERM FINANCIAL STRATEGY 2021/22–2024/25**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**Purpose of Report**

1. The purpose of this report is to:
  - a) Provide information on the proposed 2021/2022 to 2024/25 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 2020. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2021/22–2024/25 was considered by the Cabinet on 15<sup>th</sup> December 2020.

**Background**

3. The MTFS is set out in the report to Cabinet on 15<sup>th</sup> December 2020, 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 5<sup>th</sup> February 2021 before recommending a MTFS, including a budget and capital programme for 2021/22, to the County Council on 17<sup>th</sup> February 2021.

**Service Overview**

5. The Corporate Resources (CR) department 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. Table 1 below summarises the proposed 2021/22 revenue budget and provisional budgets for the next three years. The proposed 2021/22 revenue budget is shown in detail in Appendix A.

**Table 1 – Revenue Budget 2021/22 to 2024/25**

	<b>2021/21 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>
Original prior year budget	32,805	34,089	32,989	32,599
Budget transfers and adjustments	1,609	0	0	0
Add proposed growth ( <b>Error! Reference source not found.</b> )	645	135	-100	0
Less proposed savings (Appendix B)	-970	-1,235	-290	-40
<b>Proposed/Provisional budget</b>	<b>34,089</b>	<b>32,989</b>	<b>32,599</b>	<b>32,599</b>

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, in line with the requirements of the actuarial assessment.
11. The total proposed expenditure is £90.9m with a gross budget for 2021/22 of £69.7m after accounting for internal income, recharges and contributions from earmarked funds of £21.2m. Trading income and other grants are projected at £35.6m resulting in a proposed net budget for 2021/22 of £34.1m which is distributed as follows:

<b>Net Budget</b>	<b>2021/22</b>
Finance, Strategic Property and Commissioning	£9.6m
East Midlands Shared Services	£1.8m
Information Technology, Communications & Digital and Customer Service	£14.5m
Commercialism (net contribution)	-£1.7m
Corporate Services and Operational Property	£14.1m
Corporate Asset Investment Fund	-£4.2m
<b>Department Total</b>	<b>£34.1m</b>

## Other Changes and Transfers

12. A number of budget transfers (totalling a net increase of £1.6m) were made during the 2020/21 financial year. These transfers include:
- £1.2m for pay (including increments relating to the National Living Wage) and pension inflation transferred from the central inflation contingency;
  - £0.4m for running cost inflation transferred from the central inflation contingency.
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 2021/22 is £0.6m, representing 1.9% of the existing net Corporate Resources budget. Details are included below.

### GROWTH

References	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
<b><u>CORPORATE RESOURCES</u></b>				
<b><u>Demand &amp; cost increases</u></b>				
* G21	-100	-200	-300	-300
G22	50	0	0	0
G23	400	685	685	685
G24	295	295	295	295
<b>TOTAL</b>	<b>645</b>	<b>780</b>	<b>680</b>	<b>680</b>

## Demand and Cost Increases

17. G21(\*) Customer Service Centre – support service levels (removal of temporary growth): -£0.1m in 2021/22 increasing to -£0.3m 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 temporary resources of £0.3m were provided for 2020/21 to meet additional demand due to the extension to the Blue Badge scheme; and the delay in realising efficiencies and savings from technological improvements to working practices. A phased programme of improvements focusing on reducing high volume low complexity queries through increased automation and self-service is expected to facilitate a reduction in headcount. The additional budget was expected to be reduced by £0.10m each subsequent year of the MTFs, which continues to remain in line with anticipated savings delivery.

18. G22 County Hall Catering (lower occupancy): £0.05m for 2021/22 only

As a result of the Council's requirement for the majority of staff to work from home during the pandemic, County Hall Catering lost significant traded income. Although, furloughing of staff and a reduction in service offer has mitigated the net operating loss in 2020/21. Despite a formal review of staff and a restructure to reduce the on-going costs £50k of growth is required to ensure that a service offer can continue at County Hall and allow capacity to expand when numbers return. It will allow for specialist catering staff to ensure a civic catering provision can be provided in 2021/22. The growth is for one year only as traded income is expected to improve when staff can return to County Hall.

19. G23 ICT license subscription and support costs: £0.4m in 2021/22 increasing to £0.7m by 2022/23

On-going revenue implications are expected to materialise mainly as a result of Microsoft price hikes of up to 40% on all public sector organisations and the increased dependency of the authority on IT services for current and future ways of working.

ICT will review the authority's communication systems, (skype, teams etc.) next year once the new negotiated contract between Crown Commercial Services and Microsoft is in place.

Some of the costs can be delayed by retaining Skype, rather than a full migration to Microsoft Teams. The additional cost cannot be delayed indefinitely as the current Skype platform will only be supported until 2025 by Microsoft. If the decision is to proceed with Teams then further implications on revenue costs are expected in relations to Anywhere 365 (the Contact Centre system) and the need to move to a cloud hosted platform. This additional cost is included in the growth request.

20. G24 Digital team to continue beyond March 2021, enabling authority-wide savings and costs avoidance: £0.3m from 2021/22 onwards

As part of the strategic change portfolio the County Council is delivering a programme of digital transformation. A temporary Incubation team was established in 2020/21 to expedite delivery of digital change projects through an agile approach, as prioritised through the authority's Digital Programme Board. This has enabled the council to drive down the cost of delivery through a 'zero touch' approach to automate and simplify processes. It has also enabled the council to target low cost, digital and automated channels over the higher cost channels.

Examples of cost savings and avoidance delivered through the pre-programme pilot activities and during the early programme include digital blue badge renewals, online smart library registration and digital parking permits. These initiatives alone have generated on-going cost savings and cost avoidance in excess of £0.4m.

Growth would enable this Incubation team to continue beyond March 2021 to enable authority-wide savings and cost avoidance. It is envisaged that this function will become self-funding through the delivery of cashable savings as reflected in other departments 2021-25 MTFS savings targets.

## Savings

21. The MTFS proposed savings for Corporate Resources total £1.0m for 2021/22 rising to £2.5m by 2024/25. The main savings are detailed below.

### SAVINGS

References	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	
<b><u>CORPORATE RESOURCES</u></b>					
** CR1 Eff	Workplace Strategy - optimising building/office use	-315	-575	-670	-670
** CR2 Eff/Inc	Increase Commercial Services contribution	0	-315	-430	-470
* CR3 Eff	Environment improvements - energy & water	-50	-100	-100	-100
* CR4 Inc	Environment improvements - Score+ energy efficiency scheme	-50	-50	-50	-50
* CR5 Eff	Returns from Corporate Asset Investment Fund	0	-570	-570	-570
** CR6 Inc	Place to Live - Accommodation income	-40	-80	-160	-160
CR7 Eff	Business Support - efficiencies from Records Hub and indexing system	-80	-80	-80	-80
CR8 Eff	Strategic Property restructure	-300	-300	-300	-300
CR9 Eff	Departmental Management Team restructure	-135	-135	-135	-135
<b>TOTAL</b>		<b>-970</b>	<b>-2,205</b>	<b>-2,495</b>	<b>-2,535</b>

22. \*\*CR1(Eff) Workplace Strategy – optimising building/office use: -£0.31m in 2021/22 rising to -£0.67m by 2023/24

The Workplace Programme is a multi-disciplinary taskforce working collaboratively to drive out new, more flexible ways of working. With representatives across IT, Property, Transformation, HR/OD and Communications, focus has been not only on how we use

our physical workplace (desks and buildings) but also on culture and infrastructure changes that will maximise the potential benefits of embedding new ways of working within the Council.

Savings will be generated from reductions in property rental costs, service charges and running costs as premises are exited; rationalised or sold.

Covid-19 has completely reshaped how our services operate now and in the future – bringing new opportunities for positive change. It is envisaged that our emerging Ways of Working programme will be bolder in ambition in relation to our property estate, changing our workplace model, investing in value-adding technology and importantly supporting our people whilst unlocking further opportunities for financial savings. A refreshed business case will be submitted for approval in the 2<sup>nd</sup> quarter of 2021 that will encompass the newly revised programme scope and incorporate the people strategy.

23. \*\*CR2 Eff / Inc Increasing Commercial Services contribution: -£0.32m in 2022/23 rising to -£0.47m by 2024/25

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

The service has faced additional cost pressures from the increase in National Living Wage (NLW), and underachievement of income growth targets, in some LTS services. Covid-19 and associated government restrictions has hindered recovery and continues to have a significant impact on some LTS services. The savings target has been reprofiled whilst attention is placed on recovery.

Rationalisation of teams within Operational property, supplemented with increased income from Country Parks arising from a combination of car parking price increases; and a permanent increase in visitor numbers with the opening of Snibston Country Park should lessen the impact.

All other commercial services are reviewing their service offer and responding in pursuit of financial recovery. Some services will need to reduce costs to mitigate the lost income faced before initiatives to improve contribution can be implemented. The recent restructure of the county hall catering service falls into this saving category. Other services with a hospitality element will be in a similar position.

Leicestershire Traded Services have been impacted by the pandemic significantly given school are the main client. Huge uncertainty over future performance remains, although it is clear the impact will continue into 2021/22. In the current year losses have been mitigated by government schemes such as furlough.

A Covid-19 reserve has been established and this will be drawn on to mitigate losses in 2020/21 as necessary.

24. \*CR3 Eff Environment improvements - energy & water: -£0.05m from 2021/22 rising to -£0.10m by 2022/23

The Water Strategy was 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 are being pursued via capital schemes for which business cases are being developed and external funding sought. These projects 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 also continue to 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.

25. \*CR4 Inc Environment improvements – SCORE+ and energy efficiency scheme: - £0.05m from 2021/22

Schools Collaboration on Reducing Energy (SCORE+) is an invest-to-save programme of building improvements to educational estates. It allows maintained schools and academy trusts across Leicestershire to access LCC capital investment to improve energy efficiency and where possible establish the generation of renewable energy. Interest and management fees are charged as part of an on-going contract with each educational establishment to recover capital financing costs and generate income to offset overheads within property services.

The SCORE+ service also supports the Council's recent Climate Emergency declaration which commits the Council to achieving carbon neutrality by 2030 for its own operations, to work with others and to lobby government to make the wider 2030 target possible and to limit global warming to less than 1.5°C.

Two schemes have been completed to date: Bosworth Academy Lighting and PV; and Countesthorpe College LED lighting, income from which is meeting 2020/21 savings targets. The 2021/22 savings target is on track to be fully delivered with Bosworth Phase 3 and Winstanley School, which are both expected to be completed by March 2021. A project at Lutterworth College is also currently in development.

26. \*CR5 Eff Returns from Corporate Asset Investment Fund (CAIF): -£0.57m from 2022/23

As part of the 2020-24 MTFS a revenue target from asset investment of £3m per annum was set based on schemes that were either completed or in advanced stages of completion.

Covid-19 has had an impact on the CAIF with construction constraints caused by the pandemic delaying delivery of investment opportunities. Although income generation is currently below 2020/21 target overall returns have been reasonable, helped by a low exposure to the retail sector.

Future income has therefore been profiled on a prudent basis to only reflect completed schemes such as Airfield Phase 1, Apollo Court, Embankment House and LUSEP. As new developments come on stream, including planned projects such as Airfield Farm phase 2, this will be reflected in future MTFS's.

27. \*\*CR6 Inc Place to Live – Accommodation income: -£0.04m in 2021/22 rising to -£0.16m by 2023/24

The Council has invested £10.3m in the Adult Social Care capital programme to fund developments linked to Social Care Investment Programme objectives. As an upper tier authority with no Housing function the Council has contracted with Nottingham Communities Housing Association (NCHA) to act as a landlord on its behalf. NCHA leases the housing that the Council develops and rents them to vulnerable tenants nominated by the Council. This saving represents the lease income from this arrangement that contributes to funding the capital investment. Further financial benefit is received through the reduced accommodation costs relating to Adult Social Care. Various sites throughout the County have been or are in the process of being developed creating in excess of 50 units.

28. CR7 Eff Business Support – efficiencies from Records Hub and indexing system: -£0.08m from 2021/22

Savings represent reduced costs derived through efficiencies from the Records Hub and indexing system. In addition, there is 0.61FTE Grade 5 vacant post being offered up as a saving.



29. CR8 Eff Strategic Property restructure -£0.30m from 2021/22

As part of a recent restructure a dedicated Development and Investment Team was proposed to support the CAIF. Given the slow-down in the property market and the wider economy during the pandemic, and the need to make savings during this time, recruitment to the Development and Investment team has been paused. Recruitment to the current team structure will continue and the Estates team will continue to offer support to the CAIF (for both its existing tenanted properties and its development schemes).

30. CR9 Eff Departmental Management Team Restructure -£0.14m from 2021/22

An action plan consolidating responsibilities and reducing the number of Assistant Directors from the current 4 posts to 3 posts was issued. Consultation is complete, and the action plan has been fully implemented.

### **Savings Under Development**

31. There are a number of savings that are currently under development within the department:
32. Departmental review: Following the Departmental Management Team restructure a further review will be undertaken looking at structures across the department for synergies and improvements.
33. Insurance review: Evaluation of the current external insurance coverage and policy limits.
34. Increased automation within Customer Service Centre: Process improvement, automation and digitalisation will lead not only to an improved customer experience but also provide savings opportunities from improved productivity, reduction in handling and errors as well as a greater use of self service.
35. Review of vacant properties: As assessment of the County Council's existing portfolio of vacant properties against the Workplace Strategy will be completed, with potential one-off savings arising from the sale of properties and/or land or on-going savings arising from development and lease opportunities.
36. ESPO contribution increase: ESPO have developed plans to grow their existing business, with a particular focus on growth outside of their current base. Successful delivery of the place will increase the dividend received from the County Council's (partial) ownership.
37. Amalgamation of transactional activity: There are several areas of similar and/or linked transactional activity, for example Finance, both within the department and across the County Council. This offers the potential for centralisation of transactional functions across the County Council to be investigated to identify service improvements through standardisation and efficiency opportunities through increased use of automation including robotics.

38. Corporate Asset Investment Fund (CAIF): The Capital programme allows for additional investment in CAIF. The benefits of making these investments will not only be to the local economy, but also generates additional on-going revenue streams (for example as rental income from farms or industrial units) or future capital receipts in excess of that required for the initial investment.
39. This potential additional income is over and above what is already included in the MTFS. The majority of investment is expected to come from the development of sites, which is a more uncertain undertaking. Hence, they are still included as a Savings Under Development. Income will be included in the MTFS when investment returns have a good degree of certainty.
40. Digital Initiatives: Growth has been included in the MTFS for an Incubation team providing more efficient and effective Council services, empowering people and introducing digital ways of working through easier to use, customer focused and joined up services across the County Council and with partners.
41. The team has received temporary funding to date and the extension of this funding beyond March 2021 will enable further authority-wide savings and cost avoidance initiatives to be developed.

### **Corporate Resources Capital Programme**

42. Table 2 below summarises the proposed capital programme. A further breakdown is provided in Appendix C. The proposed capital programme totals £11.3m over the next four years including £5.1m in 2021/22 and is described in more detail in the following paragraphs.

**Table 2 – Summary Draft Capital Programme 2021/22 to 2024/25**

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
ICT and digital infrastructure developments	1,420	1,430	1,150	1,700	5,700
Property major maintenance and improvements	3,220	550	530	0	4,300
Climate change - environmental improvements	485	485	320	0	1,290
<b>TOTAL</b>	<b>5,125</b>	<b>2,465</b>	<b>2,000</b>	<b>1,700</b>	<b>11,290</b>

43. ICT and Digital infrastructure and developments: £1.4m in 2021/22 amounting to £5.7m 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 2021/22 including:

- £0.9m (£3.1m across the MTFS) investment in the ICT requirements to support the Workplace Strategy, through the provision of end user devices in line with identified worker styles to facilitate remote and collaborative working;

- £0.3m (£1.0m across the MTFS) for the replacement of an Internal Firewall as support package is due to expire June 2022.
- £0.2m for the replacement of the Cisco Core Network Switch, which has reached the end of its expected life.

44. Property major maintenance and improvements: £3.2m in 2021/22 amounting to £4.3m over the MTFS period

For 2021/22 significant elements of the programme include:

- £2.5m Melton, Sysonby Farm Development site preparation and infrastructure works to support 290 dwellings within this 'sustainable neighbourhood' (subject to suitability of Homes England grant conditions);
- £0.4m (£1.2m across the MTFS) to implement the property element of the Workplace Strategy
- £0.2m in major maintenance to install fire suppression systems to the existing generators inside the County Hall Rutland Building and replacement of single glazed life expired windows at Coalville offices.

45. Climate Change - environmental Improvements: £0.5m in 2021/22 amounting to £1.3m over the MTFS period

For 2021/22 this includes:

- £0.3m (£1.0m across the MTFS) to support SCORE+ - the Schools energy efficiency scheme.
- £0.1m (£0.2m across the MTFS) for additional investment in Electric Vehicle Car Charging Points. 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.
- £0.1m to improve minimum energy efficiency standards.

Future Developments

46. Capital projects that have not yet been fully developed or plans agreed have been excluded from proposed bids and will be treated as 'Future Developments'. 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.
47. The potential programmes and schemes that may require capital investment in the future include:

- ICT Investment: There is a need for significant investment in the ICT infrastructure including remote access, network connectivity, data centres and data storage, telephony and system back up. Further work is required to assess options.
- Country Parks: A number of initiatives are being scoped to generate additional income from country parks including: development of cafés, ticketless car parking and improvements to the park facilities.
- Climate change: Continued development of Energy asset upgrades to corporate buildings to reduce running costs, and deliver on corporate energy strategy, environmental strategy and climate targets. In addition installation of solar panels at Stud Farm to supply electricity via a Power Purchase Agreement (PPA) to the tenant farmer. Income from the PPA would accrue to the energy projects revenue budget, with payback anticipated within 15 years.

### **Equality and Human Rights Implications**

48. 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.

49. 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.

50. 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.

### **Background Papers**

Cabinet : 15<sup>th</sup> December 2020 – Medium Term Financial Strategy 2021/22 to 2024/25

### **Circulation under local issues alert procedure**

None.

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### **Appendices**

Appendix A – Revenue Budget 2021/22

Appendix B – Growth and Savings 2021/22 – 2024/25

Appendix C – Capital Programme 2021/22 – 2024/25

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