



**SCRUTINY COMMISSION - 30th JANUARY 2023**

**MEDIUM TERM FINANCIAL STRATEGY 2023/24–2026/27**  
**CORPORATE RESOURCES DEPARTMENT**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**Purpose of Report**

1. The purpose of this report is to:
  - a) Provide information on the proposed 2023/24 to 2026/27 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 2022. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2023/24–2026/27 was considered by the Cabinet on 16<sup>th</sup> December 2022.

**Background**

3. The MTFS is set out in the report to Cabinet on 16<sup>th</sup> December 2022, 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 is being presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process on 10<sup>th</sup> February 2023 before recommending a MTFS, including a budget and capital programme for 2023/24 to the County Council on 22<sup>nd</sup> February 2023.

**Service Overview**

5. Corporate Resources (CR) provides front line, traded and support services to enable the organisation to be efficient and effective through the Customer, Digital and Information Technology, People, Ways of Working and Commercial agendas.

6. Demand for CR services remain high as the organisation continues to adapt to new ways of working post the pandemic whilst also responding to unprecedented levels of change required in response to economic pressures, driving the need for significant financial savings, as well as staff recruitment challenges and other market pressures.

### **Proposed Revenue Budget**

7. **Table 1** below summarises the proposed 2023/24 revenue budget and provisional budgets for the next three years. The proposed 2023/24 revenue budget is shown in detail in Appendix A.

**Table 1 – Revenue Budget 2023/24 to 2026/27**

	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Original prior year budget	34,304	35,473	34,813	32,883
Budget transfers and adjustments	3,579	0	0	0
Add proposed growth ( <b>Error! Reference source not found.</b> )	35	0	0	0
Less proposed savings (Appendix B)	-2,445	-660	-1,930	-660
<b>Proposed/Provisional budget</b>	<b>35,473</b>	<b>34,813</b>	<b>32,883</b>	<b>32,223</b>

8. 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.
9. The total proposed expenditure is £95.9m gross budget for 2023/24 resulting in £71.2m after accounting for internal income, recharges and contributions from earmarked funds of £24.8m and £35.5m net budget after £35.7m of trading income and other grants. This is allocated as per the following table:

**Table 2 – Revenue Budget Summary 2023/24**

<b>CR Net Budget</b>	<b>2023/24 £m</b>
Information Technology, Communications & Digital and Customer Service	15.7
Corporate Services and Operational Property	14.2
Finance, Strategic Property and Commissioning	11.1
East Midlands Shared Services	2.4
Corporate Asset Investment Fund (net contribution)	-7.6
Commercialism (net contribution)	-0.3
<b>Department Total</b>	<b>35.5</b>

## Other Changes and Transfers

10. A number of budget transfers totalling a net increase of £3.6m, were made during the 2022/23 financial year. These transfers comprise:
- +£3.1m budget cost increase for the staff pay awards for the financial years 2022/23 and 2021/22 funded from the central inflation contingency
  - +£1m budget cost increase for inflation transferred from the central inflation contingency for inflationary price increases relating primarily to property, maintenance costs, ICT and Insurance.
  - £0.5m budgets transferred from CR to and from other departments with the majority transferring to A&C for property commissioning budgets and the Integrated Adults System (IAS)
11. 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.
12. This star rating is included in the descriptions set out for growth and savings below.
13. 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

14. The total amount of net growth requested is £35k for 2023/24 and the next three years. Gross growth is £135k offset by a reduction of £100k temporary growth provided in a previous MTFS for the Customer Service Centre as summarised and detailed below:

**Table 3 - Summary CR Growth 2023/24 to 2026/27**

Refs			2023/24	2024/25	2025/26	2026/27
		Demand & cost increase	£000	£000	£000	£000
*	G15	Customer Service Centre - support service levels (temporary growth removed)	-100	-100	-100	-100
*	G16	Health, safety & wellbeing - increased demands and legislative changes to fire safety regulations	25	25	25	25
*	G17	Increased demand for Communications Team	70	70	70	70
	G18	Lone Working app	40	40	40	40
<b>TOTAL</b>			<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>

15. \* G15 Customer Service Centre – removal of temporary growth from previous years -£100k from 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. The additional budget was profiled to be reduced by £0.1m each subsequent year of the MTFS and this is the last year of that reduction.

16. \* G16 Health, safety & wellbeing – increased demands and legislative changes to fire safety regulations £25k from 2023/24

This growth is unchanged from the previous MTFS and is required to fund the legislative changes to fire safety regulations to ensure buildings remain both safe and to support staff wellbeing through change arising for staff from the pandemic and the cost of living crisis.

17. \* G17 Increased demand for Communications Team £70k from 2023/24

Following the pandemic and remote working, communications for managers and staff have increased and these remain a critical part of ensuring staff remain connected and are able to perform their jobs with the right context.

These resources are currently already in place and have been funded for over the last two years from the Contain grant but now require ongoing budgeted funding.

18. G18 Lone working app £40k from 2023/24

This funding enables a standard lone worker app to be rolled out across all departments to provide greater level of protection for staff who are working more flexibly and remotely.

## Savings

19. The MTFS proposed savings for Corporate Resources total £2.4m for 2023/24 rising to £5.7m by 2026/27. The savings are summarised in the table below and Appendix B with more detail in the next section.

**Table 4 - Summary CR Savings 2023/24 to 2026/27**

References	Saving		2023/24	2024/25	2025/26	2026/27	
			£000	£000	£000	£000	
**	CR1	Eff/Inc	Ways of Working - Use of office space	-600	-670	-1,380	-1,380
**	CR2	Eff/Inc	Increasing Commercial Services contribution	0	0	-195	-355
**	CR3	Inc	Increase returns from Corporate Asset Investment Fund	-1,150	-1,250	-1,250	-1,250
*	CR4	Inc	Place to Live - Accommodation income	-40	-80	-80	-80

**	CR5	Eff	Customer & Digital Programme	0	-110	-640	-640
**	CR6	Eff	Operational Finance process improvements	-100	-150	-200	-200
**	CR7	Eff	Transformation Unit efficiencies	-80	-80	-150	-150
	CR8	SR	Sale of Castle House	-15	-30	-30	-30
	CR9	Eff	Energy Initiatives	0	-100	-100	-100
	CR10	Eff	Insurance review	-100	-100	-100	-100
	CR11	Eff	ICT Efficiencies	-100	-250	-625	-1,125
	CR12	Eff	Operational Property	-90	-90	-90	-90
	CR13	Eff	Strategic Property	-45	-45	-45	-45
	CR14	Eff/SR	Customer Service Centre	-100	-100	-100	-100
	CR15	Eff/SR	Reduce County Hall running costs	-25	-50	-50	-50
<b>TOTAL</b>				<b>-2,445</b>	<b>-3,105</b>	<b>-5,035</b>	<b>-5,695</b>

20. \*\*CR1 (Eff/Inc) Ways of Working – Use of office space - £0.6m in 2023/24 rising to £1.4m by 2026/27

The Ways of Working 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.

A refreshed business case was produced in November 2021 with savings expected to be generated from reductions in property rental costs, service charges and running costs as premises are exited; rationalised or sold as part of the original workplace strategy, as well as increased income generation through further rental income for the County Hall campus.

There are also a number of other benefits which may derive efficiency savings resulting in cost reduction which are unknown at present but likely to include:

- Increased productivity
- Reduction in carbon
- Reduced operating costs
- Improved recruitment and retention

21. \*\*CR2 (Eff/Inc) Increasing Commercial Services contribution - £0.2m in 2025/26 rising to £0.36m by 2026/27

Commercial services are delivered under the umbrella Leicestershire Traded Services (LTS) and include the provision of various traded services including school food, catering, property and facilities.

Trading circumstances are extremely challenging with inflationary pressures affecting margins as rising costs have an acute impact in particular on school food. LTS continues to face significant staffing pressures due to wider economic impacts being seen by the Catering and Hospitality industry on top of additional short-term pressures from sickness due to Omicron. The option to increase prices accordingly is limited due to contract obligations and Government's fixed free school meal funding that hasn't risen in line with inflation.

To partially mitigate against the adverse financial climate, some progress has been made and this includes the rationalisation of teams within Operational property, and Leisure and Hospitality which have been undertaken to deliver sustainable cost savings. Further consideration of the staffing structures and services offered by LTS continues to both increase contribution and minimise risk. Increased income is expected from Country Parks arising from increased visitor numbers and an investment in parking infrastructure.

Last year operating model changes were implemented and commercial agreement reviews undertaken. However, due to the scale of the challenge, a £1.8m loss is expected in 2022/23, a fundamental review of services is now underway to deep dive into the financial, commercial and operational models to identify additional actions and present options for moving forward in a sustainable way.

22. \*\*CR3 (Inc) Increased Returns from Corporate Asset Investment Fund (CAIF) - £1.15m from 2023/24 rising to £1.25m by 2024/25

The Corporate Asset Investment Fund (CAIF) exists support the policy objectives of the County Council, whilst providing income to support provision on services. The CAIF holds mainly property assets which are let to a variety of tenants mainly within the County. It also holds institutional property funds, a niche bank risk transfer investment and private debt funds in order to diversify risk from purely owning property assets. In the future additional non property holdings, such as solar farm infrastructure, will be added to further diversify the risk. The proposed solar farm at Quorn is the main contributor to the additional savings target.

Asset investment opportunities are appraised and taken forward, subject to the business case and appropriate Member approvals.

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. To help manage the financial risk associated with these investments a proportion of the CAIF income is diverted to a sinking fund. When unforeseen issues arise, the sinking fund can be used to support its resolution.

23. \*CR4 (Inc) Place to Live – Accommodation income - £40k in 2023/24 rising to £80k by 2024/25

The Council has invested in developments linked to Social Care Investment Programme objectives. As an upper tier authority with no housing function the Council has contracted 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 rental income from this arrangement, recognising the capital investment.

24. \*\*CR5 (Eff) Customer and Digital programme - £110k in 2024/25 rising to £640k by 2025/26

The Customer and Digital programme was initiated in 2021 to drive efficiencies through reducing demand across current customer channels, and shifting these to a more cost-effective solution e.g. moving from phone calls to signposting to information on the website. To date the programme has delivered many improvements in digitalisation of processes across departments, as well as supporting with improving the customer experience around home to school transport and school admissions.

The programme is now being rescope and will focus on:

- Customer – focussing entirely on demand reduction, channel shift and development a new target operating model for our customer contact.
- Automation – Development and implementation of automated systems that can remove the need for manual intervention – driving further efficiencies and productivity internally. These systems will be implemented in areas where processes can be readily automated, with a series of proof of concepts being scoped.

25. \*\*CR6 (Eff) Operational Finance process improvement - £100k from 2023/24 increasing to £200k from 2025/26

The Operational Finance programme was set up to maximise best practice and improve processes and interactions following the implementation of Oracle Fusion with the focus being around 5 core themes of:

- Procure to Pay
- Order to Cash
- Reporting
- Support Model
- Business Process Interactions

The aim is to ensure that the technology is fully exploited and efficiencies will be generated by reduced processing times, reduced error, improved controls and a review of target operating models.

Benefits will also be sought from introducing a new scheme of supplier early payment discounts. Suppliers signing up to the scheme will discount their invoices which are paid earlier than the standard payment terms (usually 28 days).

26. \*\*CR7 (Eff) Transformation Unit Efficiencies - £80k in 2023/24 rising to £150k by 2025/26

The 2023/24 savings have already been achieved following a review and restructure of the Transformation Unit (TU) operations and structure in 2021. The resulting service plan provides for ongoing efficiencies through improved ways of working – primarily focused on reducing management costs and improving the connections to departmental decision making.

Future year's savings will be achieved through continuous improvement activity and vacancy management.

27. CR8 (SR) Sale of Castle House - £15k from 2023/24 rising to £30k from 2024/25  
Castle House is an LCC owned property that has up to recently been let to the Ministry of Justice.

Selling enables net £30k p.a. revenue savings from avoided costs such as repairs and maintenance with the sale also delivering a capital receipt in the region of £700k.

28. \*CR9 (Eff) Energy Initiatives: -£100k from 2024/25

These are the next phase of savings identified as part of The Strategic Property Energy Strategy 2020-2030 to drive reductions in annual energy consumption, savings on energy bills and investment in the provision of renewable energy.

These savings are the returns from investments already made in greener sources of energy across the LCC property estate as well as achieving residual returns from the SCORE+ (Schools Collaboration on Reducing Energy) partnership.

29. CR10 (Eff) Insurance review – £100k from 2023/24  
A full review of the insurance cover purchased by the County Council is currently being undertaken alongside the annual provision made to pay for claims that are expected to be made. Due to good claims experience over the last few years it is expected that a saving will be delivered.
30. CR11 (Eff) ICT Efficiencies - £100k from 2023/24 rising to £1.1m by 2026/27  
Following a review undertaken with consultants Gartner, a number of changes are proposed in the following workstreams to result in efficiencies including:
- Reskilling and reorganising teams to support the new Digital, Data, Technology approach.
  - Removal and refocusing of Technology and its Architecture to reduce complexity, licensing requirements and allow a focusing of skill sets and service cover.
  - A review of support and consultancy contracts with a view to optimising the costs and value achieved.

In total £300k of new gross savings are proposed in each year rising to £1.2m by year 4. Some of these savings will need to be recycled to invest in software and security infrastructure such as a roll-out of Windows 11, hence the lower headline amounts quoted.

31. CR12 (Eff) Operational Property £90k from 2023/24  
Half of these savings have already been achieved during the financial year 2022/23 through a restructured property team and premises officers. The other half of savings are expected from staff attrition with workloads reviewed and redistributed.
32. CR13 (Eff) Strategic Property - £45k from 2023/24  
This saving will be delivered through a reduction in posts by not recruiting to the asset lead post.
33. CR14 (Eff/SR) Customer Service Centre (CSC) - £100k from 2023/24  
Inherently there is high labour turnover in Customer Service Centres and with CSC staff also transferring into the Adults and Communities department for career progression, this is also the case for LCC thus the efficiency element of this saving will be achieved from the regular underspend created in the period vacancies are being recruited to.

Additionally, efficiencies and some level of service reduction will be pursued both within the Customer and Digital programmes by increasing digital adoption for residents and reducing the channels and availability for customer contact.



34. CR15 (Eff/SR) County Hall Running Costs - £25k from 2023/24 to £50k by 2024/25  
Efficiency savings will be achieved through reduced expenditure on internal décor and landscaping on the County Hall site (such as the reduced number of grass cuts). Merging the reception and car park security activities will enable further savings.

### **Savings Under Development**

35. The financial climate for the Council, along with other Local Authorities remains challenging and to bridge the significant funding shortfall projected in future years; each department is required to identify additional savings. The following have been identified as potential opportunities to take forward following further evaluation and planning.
36. Department Structure and review of services  
Corporate Resources consists of a large number of functions split under three assistant directors. All services in general focus on organisational compliance and/or provide support to the wider authority across a variety of functions and so it is important to ensure the right teams, structure, function and skills are in place. A full review will take place focussed on the areas below:
1. management structure,
  2. duplication of corporate functions across the authority,
  3. the wider support
37. Technology and Hardware Costs  
Over the last three years the council's eco-system of IT tools and infrastructure has matured. Service delivery has also evolved post-pandemic and in some cases has moved away from remote/virtual delivery to face-to-face, seeing the systems and technology once previously used pre and during the COVID-19 pandemic, no longer being a core requirement to deliver services. This brings the potential to reduce our internal costs from revisiting staff's technology and licence costs for the tools and software they are using – ensuring this meets organisational need in the most cost-effective way.
38. Country Parks and Cafes  
Work is underway to explore additional commercial opportunities and improve profitability of our country parks and cafes. Opportunities to generate further revenue includes parking and development of a pay to play adventure play facility at land leased from the estate at Bosworth Battlefield.
39. Oracle Recruitment Cloud and People Hub  
The council is aiming for the new recruitment portal to be in place in April 2023 which will streamline the process and provide opportunities for increased efficiencies across the County Council. A scoping exercise for the People Hub is underway.
40. Asset Challenge  
A review is planned on the management, planning and use of the County Council's property assets. The aims of this review are to:

- Align asset management planning with the corporate and service delivery needs having regard to financial and resource planning.
- Identify the future property and asset management requirements necessary to deliver service priorities.
- Set out a programme of strategic reviews and initiatives together with an asset management delivery plan.

41. Additional CAIF savings

Further schemes could be developed, likely in the areas of economic development or green energy generation, that would have the added benefit of provide increased income.

### **Corporate Resources Capital Programme**

42. The proposed CR capital programme totals £9.7m over the next four years including £2.8m in 2023/24 as summarised in the table below and Appendix C and described in more detail in the following paragraphs.

#### **Summary CR Capital Programme 2023/24 to 2026/27**

	2023/24	2024/25	2025/26	2026/27	Total
ICT	150	100	2,390	60	<b>2,700</b>
Ways of Working	1,629	1,262	1,293	1,530	<b>5,714</b>
Property Services	473	0	0	0	<b>473</b>
Climate Change - Environmental Improvements	515	100	100	100	<b>815</b>
	<b>2,767</b>	<b>1,462</b>	<b>3,783</b>	<b>1,690</b>	<b>9,702</b>

43. ICT - £150k in 2023/24 amounting to £2.7m 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 2023/24 including £0.2m investment in Wireless Access Points to help provide security to the networks.
44. Ways of Working programme - £1.6m in 2023/24 amounting to £5.7m over the MTFS period  
This programme is to redesign the ways in which the Council delivers its services freeing up property space to generate rental and reducing associated costs.

The investment is based on changing office infrastructure costing £0.2m in 2023/24 (£0.2m across the MTFS); PC's and Laptops costing £1.2m 2023/24 (£4.9m across the MTFS) and property costs costing £0.2m 2023/24 (£0.6m across the MTFS).

The associated £1.4m annual savings from this investment by year 4 are outlined in CR1. Additional savings are expected to materialise in other departments via increased efficiency and reduced travel costs.

45. Property major maintenance and improvement - £0.5m in 2023/24 and in total over the four-year MTFS

For 2023/24 significant elements of the programme includes:

- £0.2m (£0.2m across the MTFS) for the replacement of County Hall lifts
- £0.2m (£0.2m across the MTFS) for the essential replacement of library windows

46. Climate Change - environmental Improvements - £0.5m in 2023/24 amounting to £0.8m over the MTFS period.

“Clean and Green” is one of the Council’s key strategic aims reflecting the need to protect and enhance the environment and tackle climate change.

The 2015 Paris Agreement requires countries to limit temperature rise to below 1.5 to 2°C. Government has committed to reducing the UK’s net emissions of greenhouse gases to zero by 2050. The County Council has declared a climate emergency and is committed to achieving net zero carbon emissions from its own operations by 2030 and to work with partners to achieve net zero carbon emissions in Leicestershire by 2045.

This investment in environmental improvements includes for 2023/24:

- £0.3m (£0.3m across the MTFS) to support LCC Public Sector Decarbonisation scheme to reduce the carbon out footprint of LCC asset
- £0.1m (£0.1m 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 (£0.4m across the MTFS) to investigate other energy initiatives.

Future Developments

47. 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.

48. 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 network connectivity, data centres and data storage, telephony, system

back up and security. Major systems will need replacement and investment will be based on the need and business case.

- Country Parks: A number of initiative are being scoped to generate additional income from country parks including development of café and community/work space; expansion of ANPR ticketless car parking at various country parks, refurbishment of Broombriggs Farm cottage for short hold tenancy/holiday rental, adventure play facility, a bridge in Watermead and maintenance work at Snibston ancient monument site.
- 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.

### **Equality Implications**

49. 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.

50. 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.

51. 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.

### **Human Rights Implications**

52. There are no human rights implications arising from the recommendations in this report.

### **Background Papers**

Cabinet: 16<sup>th</sup> December 2022 – Medium Term Financial Strategy 2023/24 to 2026/27

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

None.

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**Appendices**

Appendix A – Revenue Budget 2023/24

Appendix B – Growth and Savings 2023/24 – 2026/27

Appendix C – Capital Programme 2023/24 – 2026/27

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