



## **SCRUTINY COMMISSION: 29th JANUARY 2024**

### **MEDIUM TERM FINANCIAL STRATEGY 2024/25–2027/28** **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 2024/25 to 2027/28 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 2023. This has been the subject of a comprehensive review and revision considering the current economic circumstances. The draft MTFS for 2024/25–2027/28 was considered by the Cabinet on 19<sup>th</sup> December 2023.

#### **Background**

3. The MTFS is set out in the report to Cabinet on 19<sup>th</sup> December 2023, 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 9<sup>th</sup> February 2024 before recommending a MTFS, including a budget and capital programme for 2024/25 to the County Council on the 21<sup>st</sup> February 2024.

#### **Service Overview and Financial Control Measures**

5. Corporate Resources (CR) provides front line, traded and support services to enable the organisation to operate efficiently and effectively. The department is taking a leading role on the Customer, Digital and Automation, Ways of Working and Sustainable Support Services agendas.
6. Demand for CR services remain high as the organisation continues to develop 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.

7. Given the increasingly challenging financial outlook, in addition to the plans set out in the MTFS, there is a need to ensure that financial controls are tightly operated, and additional measures introduced to restrict expenditure.

### **Proposed Revenue Budget**

8. **Table 1** below summarises the proposed 2024/25 revenue budget and provisional budgets for the next three years. The proposed 2024/25 revenue budget is shown in detail in Appendix A.

**Table 1 – Revenue Budget 2024/25 to 2027/28**

	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Original prior year budget	35,523	36,574	34,909	34,414
Budget transfers and adjustments	2,061	0	0	0
Add proposed growth	0	0	0	0
Less proposed savings (Appendix B)	-1,010	-1,665	-495	0
<b>Proposed/Provisional budget</b>	<b>36,574</b>	<b>34,909</b>	<b>34,414</b>	<b>34,414</b>

9. Detailed service budgets have been compiled based on no pay or price inflation, a central contingency will be held which will be allocated to services as necessary.

### **Other Changes and Transfers**

10. Several budget transfers, totalling a net increase of £2.1m, have been made during the 2023/24 financial year. The majority of these transfers are largely in relation to cost increases for inflation transferred from the central inflation contingency relating primarily to property, maintenance costs, ICT and Insurance. Budget transfers to cover the additional costs associated with the 2023/24 pay award are still to be finalised and will be reflected in the final MTFS to be reported to Cabinet on 9<sup>th</sup> February.
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. There are no current MTFS growth requirements for the corporate resources department over the period of the revised MTFS. Although this position will be kept under continual on-going review.

## Savings

15. The MTFS proposed savings for Corporate Resources total £1m for 2024/25 rising to £3.2m by 2026/27. The savings are summarised in the table below and Appendix B with more detail in the next section.

### Summary CR Savings 2024/25 to 2027/28

			<b><u>SAVINGS</u></b>	2024/25	2025/26	2026/27	2027/28
			<b><u>CORPORATE RESOURCES</u></b>				
* CR1	Eff/Inc	Ways of Working - Use of office space		-70	-780	-780	-780
* CR2	Inc	Increase returns from Investing in Leicestershire Programme (IILP)		-100	-100	-100	-100
* CR3	Inc	Place to Live - Accommodation income		-40	-40	-40	-40
* CR4	Eff	Customer & Digital Programme		-110	-640	-640	-640
* CR5	Eff	Operational Finance process improvement		-50	-100	-100	-100
* CR6	Eff	Transformation Unit efficiencies		0	0	-70	-70
* CR7	SR	Sale of Castle House		-15	-15	-15	-15
** CR8	Eff	Energy Initiatives		-50	-100	-100	-100
* CR9	Eff	ICT Efficiencies		-300	-600	-1,025	-1,025
** CR10	Eff/SR	Reduce Property running costs		-35	-60	-60	-60
CR11	Eff	Review of Mobile Phones Tariff		-90	-90	-90	-90
CR12	Eff	Insurance claims management benefit		-150	-150	-150	-150
			<b>TOTAL</b>	<b>-1,010</b>	<b>-2,675</b>	<b>-3,170</b>	<b>-3,170</b>

16. \*CR1 (Eff/Inc) Ways of Working – Use of office space - £70k in 2024/25 rising to £780k by 2025/26

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.

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 several 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

17. \*CR2 (Inc) Investment in Leicestershire Programmes (liLP)) - £100K from 2024/25

The Council directly owns and manages properties, including Industrial, Office and County Farms as part of the Investing in Leicestershire Programme (liLP). The fund also includes financial investments (“diversifiers”) outside of direct property ownership, for example private debt, infrastructure, bank risk sharing and pooled property investments. These investments provide diversification for the liLP.

The fund is held for the purposes of supporting the delivery of various economic development objectives. The aims of the liLP Strategy align with the five Strategic Outcomes set out in the Council’s Strategic Plan (Strong economy, wellbeing and opportunity, keeping people safe, great communities and affordable and quality homes).

Subject to satisfactory business cases, including securing the necessary commercial agreements and planning permission, there is the potential to increase the level of savings in future years.

18. \*CR3 (Inc) Place to Live – Accommodation income - £40k in 2024/25

The Council has invested in developments linked to Social Care Investment Programme objectives and Children’s Innovation Partnership, which looks to create provision for 20 plus child residential placements. This saving represents the rental income from this arrangement, recognising the capital investment.

19. \*CR4 (Eff) Customer Programme - £110k in 2024/25 rising to £640k by 2025/26

This is a cross cutting corporate programme; the vision is that “people will be able to communicate with our services quicker and easier, through modern and accessible ways”. The programme will develop a future target operating model for how the Council interacts with its external customers, within this creating clarity around the role of the Customer Service Centre and efficiencies available to departments, such as more cost-effective solution e.g., moving from phone calls to signposting to information on the website.

20. \*CR5 (Eff) Operational Finance process improvement - £50k from 2024/25 increasing to £100k from 2025/26

The Operational Finance programme was set up to maximise best practice and improve processes and interactions following the Fit for the Future programme 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.

Additional benefits will be leveraged from maximising supplier early payment discounts via third party suppliers who provide setup and management of the process for obtaining discounts for early settlement of invoices in exchange for a proportion of the savings.

21. \*CR6 (Eff) Transformation Unit Efficiencies - £70k in 2026/27

Following a review of the TU's 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.

22. \*CR7 (SR) Sale of Castle House - £15k in 2024/25

Castle House is an LCC owned property that is currently let, and selling enables net revenue savings from avoided costs such as repairs and maintenance. The sale of Castle House completed in January 2024.

23. \*\*CR8 (Eff) Energy Initiatives: -£50k in 2024/25 rising to £100k by 2025/26

LCC currently spends around £1.6m per annum on utilities cost (electricity, natural gas, and water) for its buildings and property estate (over 85 buildings with key sites including County Hall, Romulus Court, Beaumanor Hall, and Mountsorrel and Croft Highways Depots)

Officers within Strategic Property have been tasked to scope, cost, prioritise, plan, and implement energy generation and efficiency improvement works for LCC's ongoing property estate; reducing grid provided energy demand, reducing related carbon emissions generation, progressing building efficiency, and cost effective supply strategy. This work is considered important both for LCC's stated aim of becoming a net zero carbon organisation, and financially in terms of reducing ongoing energy purchase costs and exposure to potential future energy price rises.

24. \*CR9 (Eff) ICT Efficiencies - £0.3m in 2024/25 rising to £1.025m by 2026/27

Following a review undertaken with consultants Gartner, several 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.

25. \*\*CR10 (Eff) Reduce Property running costs £35k in 2024/25 rising to £60k by 2025/26

Efficiency savings will be achieved through reduced maintenance expenditure across the LCC estate, including the County Hall site. For example, merging the reception and car park security activities and review of post/print activities.

26. CR11 (Eff) Review of Mobile Phones Tariff - £90k in 2024/25

The mobile lines and minutes contract with current provider expired in August 2023. A new contract has since been awarded allowing LCC to realise £90k annual revenue savings.

27. CR12 (Eff) Insurance claims management benefit - £150k in 2024/25

A review of the Council's past and forecast liabilities claims has been undertaken claims. The track record on risk management and ability to defend against claims has allowed the annual provision against claims to be reduced.

28. Considering the scale of the challenge faced by the Council to balance the MTFS, existing financial control measures are being reinforced and new ones are being applied to ensure a tight focus on eliminating non-essential spend. Inevitably, further savings beyond those identified in this report will be needed and where possible included in the final MTFS.

### **Savings Under Development**

29. 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 has been identified as potential opportunities to take forward following further evaluation and planning.

- Country Parks

This will include a review of how the cafes within the parks are operated and potentially new cafes being introduced at other country parks (Watermead). The review will also review the amounts and structure of parking charges at the sites.

- Property Services Review

Potential opportunities exist through the standardisation, digitalisation and automation of a number of print and mail related processes across LCC. Further efficiencies identified in the way mobile premises support services are structured and delivered. Efficiencies in the delivery of facilities' hosting and support services at County Hall and reduction in software license costs.

A programme of rolling service efficiency reviews has commenced in Corporate Resources, with Operational and Strategic Property Services the first services selected. Scoping commenced in September 2023 with the aim of seeking further efficiencies. An external partner is currently being sought to assist with the review.

- Tax Opportunities  
Third-party consultant providing expertise and resource to review any opportunities for further tax savings across the Council, with the potential to include savings in relation to VAT and payroll taxes.
- Reducing the Cost of the property estate  
A challenge of every property asset is being undertaken to ensure that the estate is managed effectively and efficiently and that only those assets that are required for the ongoing delivery of strategic plan outcomes are retained.

A systematic geographic review of every asset, scoring it against a number of criteria but not exclusively: cost, condition, maintenance spend and energy to divide the estate into 4 categories:

- Those performing in line with benchmarking criteria.
- Those that meet most criteria e.g. location but require investment in repair and upgrade to meet environmental, energy or regulatory requirements.
- Those where other future service needs, and development is required.
- Building surplus to requirement.

A particular focus will be the cost of Business Rates. An external consultant, with specialist knowledge and experience of dealing with rating reviews, has been commissioned to work alongside the County Council.

- Mobile Phone Estate  
The number of smartphones and data connections across the authority was increased because of changing ways of working throughout the COVID-19 pandemic and beyond as smarter working was made an emphasis through the ways of working programme. There are now around 3000 active data connections across LCC.

With a large number of smartphones coming to the point of being refreshed, a full review is being undertaken to understand if these are all truly needed and to exploit advances in technology (including bring your own phone) to proactively reduce the number of connections and associated capital and revenue costs.

Criteria have been drafted around which functions and roles require a smartphone and is currently being tested to confirm the rationale before applying these changes across the authority.

### **Cross Cutting Organisation Wide Programmes**

#### 30. Sustainable Support Services Programme

The sustainable support service programme aims to deliver the vision that Leicestershire County Council has the right tools and most cost effective and efficient level of support to deliver its services. This programme will review the end-to-end support in place within all departments to ensure the right people, right tools, and right support is in place across the Council - making the most efficient use of resource, technology and process design to maximise productivity and compliance. The programme will focus on efficiency of back-office functions designed to support the delivery of the wider Council's operations.

### 31. Prevention Review

A review of Prevention activity across the authority as part of a series of corporate reviews targeted with securing medium-term financial savings for the Council to be included in future revisions of the Medium-Term Financial Strategy. The prevention review will take a systemic approach to retaining and investing in prevention activity that offers the best value in reducing demand on the County Council's high-cost services at the lowest cost.

Potential savings are anticipated through:

- A reduction in prevention-based activity that is unable to evidence future cost and/or demand reduction, particularly impacting on demand for the highest cost services
- The substitution of existing funding for prevention activity through other income streams such as grant funding
- The transfer of Council activity to other parties
- Increasing efficiency and/or productivity to enable activity to continue at a lower cost
- Possible further investment using savings secured from elsewhere in prevention-based activity that can evidence a reduction in medium-term future spend on top of the investment and are dependent upon sound financial business cases.

A diagnostic exercise is underway that will review the baseline cost of prevention to the organisation, look to benchmark and consider best practice from other organisations around Prevention, and develop recommendations for change based on the principles above.

### 32. Customer Programme

The vision for the customer programme is that "People will be able to get what they need from services quicker and easier, the Department will create sustainable and accessible customer interactions across the Council". The programme will develop a future target operating model for how the Council interact with its external customers, within this creating clarity around the role of the Customer Service Centre and efficiencies available to departments, changes will be underpinned by:

- The need to deliver services with less money.
- Leveraging digital channels for those that can.
- Ensuring services are accessible; people will be directed to the most appropriate channel to meet their needs.
- Being data driven; any changes the Department makes are measurable and adds value.
- Reducing the steps involved in processes so that its easier for customers to do the things they need to do.

### 33. 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 to understand the art of the possible. It is expected that automation will play a major role in delivery of many change initiatives across the authority.

#### 34. Data Strategy

Instigation of a data strategy, aligning IT and Business Intelligence to drive a culture of data-led performance management across the Council. Review of the infrastructure, skills roles and responsibilities required to deliver the Data Strategy for the Council to improve data management practices and identify where data collection could be improved and/or automated – driving efficiencies.

Work is now underway with officers across all departments to understand strategic drivers and shape the development of the strategy, approach and potential benefits of this important work.

### **Corporate Resources Capital Programme**

35. The proposed CR capital programme totals £9.97m over the next four years including £2.85m in 2024/25 as summarised in the table below and Appendix C and described in more detail in the following paragraphs.

#### **Summary CR Capital Programme 2024/25 to 2027/28**

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
ICT	479	539	190	2,462	<b>3,670</b>
Ways of Working	1,844	1,293	1,530	909	<b>5,576</b>
Property Services	295	0	0	0	<b>295</b>
Climate Change - Environmental Improvements	231	100	100	0	<b>431</b>
	<b>2,849</b>	<b>1,932</b>	<b>1,820</b>	<b>3,371</b>	<b>9,972</b>

36. ICT - £479k in 2024/25 amounting to £3.6m 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 end of life replacement, capacity growth and upgrade across the corporate estate.

37. Ways of Working programme - £1.8m in 2024/25 amounting to £5.6m 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 £0.4m in 2024/25 (£0.4m across the MTFS); PC's and Laptops costing £0.9m 2023/24 (£4.6m across the MTFS) and property costs costing £0.6m 2023/24 (£0.6m across the MTFS).

The associated £0.8m 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.

38. Property major end of life maintenance - £0.3m in 2024/25 and in total over the four year MTFS

For 2024/25 the programme includes:

- £0.1m (£0.1m across the MTFS) for the replacement of Data Centre UPS
- £0.1m (£0.1m across the MTFS) for the essential replacement of Bassett Centre windows
- £0.1m (£0.1m across the MTFS) for the essential maintenance of Snibston Ancient Monument

39. Climate Change - environmental Improvements - £0.2m in 2024/25 amounting to £0.4m 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.

- £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 (£0.3m across the MTFS) to investigate other energy initiatives.

**Corporate Resources Capital Programme - Future Developments**

40. 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.
41. The potential programmes and schemes that may require capital investment in the future include:
- Strategic property: Further repair works on Snibston Ancient Monument, Snibston Block C remediation and resurfacing works at Beaumanor Hall.
  - ICT Investment: There is a need for significant investment in the ICT infrastructure including data centres and data storage, telephony and security.
  - 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, and refurbishment of Broombriggs Farm cottage for short hold tenancy/holiday rental.

- 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**

42. Under the Equality Act 2010 local authorities are required to have due regard to the need to:
- a) Eliminate unlawful discrimination, harassment and victimisation,
  - b) Advance equality of opportunity between people who share protected characteristics and those who do not; and,
  - c) Foster good relations between people who share protected characteristics and those who do not.
43. Given the nature of services provided, many aspects of the County Council's MTFS will 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 detailed 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.
44. There are several areas of the budget where there are opportunities for positive benefits for people with protected characteristics both from the additional investment the Council is making into specialist services and to changes to existing services which offer improved outcomes for users whilst also delivering financial savings.
45. If, as a result of undertaking an assessment, potential negative impacts are identified, these will be subject to further assessment.
46. Any savings arising out of a reduction in posts will be subject to the County Council's Organisational Change Policy which requires an Equality Impact Assessment to be undertaken as part of the Action Plan.

### **Human Rights Implications**

47. Where there are potential Human Rights implications arising from the changes proposed, these will be subject to further assessment including consultation with the Council's Legal Services.

### **Background Papers**

Cabinet : 19<sup>th</sup> December 2023 – Medium Term Financial Strategy 2024/25 to 2027/28  
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7081&Ver=4>

**Circulation under local issues alert procedure**

None.

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**Appendices**

Appendix A – Revenue Budget 2024/25

Appendix B – Growth and Savings 2024/25 – 2027/28

Appendix C – Capital Programme 2024/25 – 2027/28