



SCRUTINY COMMISSION - 27th JANUARY 2025

MEDIUM TERM FINANCIAL STRATEGY 2025/26–2028/29 **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 2025/26 to 2028/29 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 2024. This has been the subject of a comprehensive review and revision considering the current economic circumstances. The draft MTFS for 2025/26–2028/29 was considered by the Cabinet on 17th December 2024.

Background

3. The MTFS is set out in the report to Cabinet on 17th December 2024, 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 7th February 2025 before recommending a MTFS, including a budget and capital programme for 2025/26 to the County Council on the 19th February 2025.

Service Overview and Financial Control Measures

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.
7. Given the increasingly challenging financial outlook, in addition to the plans set out in the MTFS, there is a continued need to ensure that financial controls are tightly operated, and additional measures introduced to restrict expenditure.
8. Reviews will be undertaken within areas to identify where spend can be reduced and stopped. Also enhanced approvals around areas such as recruitment and procurement will continue to be required to be signed off by departmental directors and/or approved by corporate oversight boards.
9. These controls are kept under continual review and consideration will be given to stepping them up or down as required, subject to the Council's financial position and expected reliance on reserves.
10. Considering the scale of the challenge faced by the Council to balance the MTFS, further savings beyond those identified in this report may be needed and where possible included in the final MTFS.

Proposed Revenue Budget

11. **Table 1** below summarises the proposed 2025/26 revenue budget and provisional budgets for the next three years. The proposed 2025/26 revenue budget is shown in detail in Appendix A.

Table 1 – Revenue Budget 2025/26 to 2028/29

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Original prior year budget	38,172	37,183	36,218	36,023
Budget transfers and adjustments	546	0	0	0
Add proposed growth (Error! Reference source not found.)	500	0	0	0
Less proposed savings (Appendix B)	-2,035	-965	-195	0
Proposed/Provisional budget	37,183	36,218	36,023	36,023

12. 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. Budget transfers to cover the additional costs associated with the 2024/25 pay award are still to be finalised but will be reflected in the final MTFS to be reported to Cabinet.

Other Changes and Transfers

13. Several budget transfers, totalling a net increase of £0.546m, were made during the 2024/25 financial year. The majority of these transfers are largely in relation to cost increases for inflation transferred from the central inflation contingency for inflationary price increases relating primarily to property, maintenance costs, ICT and insurance.
14. 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.
15. This star rating is included in the descriptions set out for growth and savings below.
16. 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. There are no new service reductions beyond those approved in the previous MTFS.

Growth

17. There is a £0.5m growth requirement to support the strengthening of LCC’s ICT cyber security network and supporting infrastructure. This is both necessary and a pro-active measure to ensure LCC's IT infrastructure, users and Council services are not vulnerable to the growing cyber threats merging nationally, which could have significant operational and financial impact. The growth requirement for specifically 2025/26 is currently under review and will be updated accordingly as required for the final MTFS being reported to cabinet in February 2025 based on current expectations around current lead in times of the work needing to be undertaken to strengthen LCC’s ICT cyber security network.
18. The position for the corporate resources department in regards to any further growth requirements will continue to be kept under continual on-going review.

Savings

19. The MTFS proposed savings for CR total £2.035m for 2025/26 rising to £3.195m by 2027/28. The savings are summarised in the table below and Appendix B with more detail in the next section.

Summary CR Savings 2025/26 to 2028/29

			2025/26	2026/27	2027/28	2028/29	
			£000	£000	£000	£000	
		SAVINGS - CORPORATE RESOURCES					
**	CR1	Eff/Inc	Ways of Working - Use of office space	-240	-735	-810	-810
**	CR2	Eff	Customer Programme (Cross cutting)	-220	-530	-530	-530
*	CR3	Eff	Operational Finance process improvement	-50	-50	-50	-50
**	CR4	Eff	Transformation Unit efficiencies	0	0	-70	-70
**	CR5	Eff	Energy Initiatives	-150	-150	-200	-200
*	CR6	Eff	ICT Efficiencies	-300	-725	-725	-725
**	CR7	Eff/SR	Property Service efficiencies	-150	-185	-185	-185
**	CR8	Eff	Departmental/Administrative efficiencies	-440	-140	-140	-140
*	CR9	Eff	People Services efficiencies	-35	-35	-35	-35
	CR10	Eff	Insurance - reduced insurance premium contract	-200	-200	-200	-200
	CR11	Inc	Review of Support Service charges	-250	-250	-250	-250
			TOTAL	-2,035	-3,000	-3,195	-3,195

20. **CR1 (Eff/Inc) Ways of Working – Use of office space - £240k in 2025/26 rising to £810k by 2027/28

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.

MTFS Savings of £985k have already been delivered up to 2024/25 and a further £810k is expected by 2029 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

21. **CR2 (Eff) Customer Programme (Cross-Cutting) - £220k in 2025/26 rising to £530k by 2026/27

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., automated completion of information or on-line self service options.

22. *CR3 (Eff) Operational Finance process improvement - £50k 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.

The Procure to Pay review is now complete with a new policy and process in place corporately. The Order to Cash review is also complete and a new policy and process is now being rolled out, which includes giving budget holders much greater information on outstanding debts and actions needed to improve collection.

A contribution to the saving above will largely come from the Early Payment Partnership with Oxygen Finance Ltd, which went live in September 2023 and now has 40 suppliers signed up, which is forecast to generate a net contribution of £15k this financial year.

The next stage of the project will focus on Oracle Fusion and process improvements and developing a roadmap to maximise further opportunities.

23. **CR4 (Eff) Transformation Unit Efficiencies - £70k in 2027/28

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.

24. **CR5 (Eff) Energy Initiatives: -£150k in 2025/26 rising to £200k by 2027/28

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.

25. *CR6 (Eff) ICT Efficiencies - £300k in 2025/26 rising to £725k 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.

26. **CR7 (Eff) Property Service efficiencies £150k in 2025/26 rising to £185k by 2026/27

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. This also includes potential cost reductions from outsourcing of cafe situated in the LCC's county parks. The supported employment team continues to gradually reduce in size through retirements requiring some changes to service provision.

27. **CR8 (Eff) Departmental/Administrative efficiencies £440k in 25/26 reducing to £140k by 2026/27

Due to the recent introduction of tighter corporate led financial controls, together with existing robust management decision making processes, a review of spending patterns

across the department has been able to realise both some one-off and on-going saving opportunities over the MTFS period, which will be reviewed on an on-going basis.

28. *CR9 (Eff) People Services efficiencies £35k in 2025/26

Efficiency savings will be achieved from across the service through continuous improvement activity and vacancy management.

29. CR10 (Eff) Insurance – reduced insurance premium contract £200k from 2025/26

Further review of the insurance cover was undertaken and following a review of the annual insurance premium contract, net cost efficiencies have been successfully identified and realised from April 2025.

30. CR11 (Eff) Review of Support Service charges - £250k from 2025/26

Following a review of all corporate support services, financial efficiencies reflect a better and closer alignment of support provided to a wide range of services and the subsequent cost of it.

Savings Under Development

31. 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. Outlines of the proposals have been included as Appendix C, Savings under Development. Once business cases have been completed and appropriate consultation and assessment processes undertaken, savings will be confirmed and included in a future MTFS where appropriate. This is not a definitive list of all potential savings over the next four-years, just the current ideas.

Cross Cutting Organisation Wide Programmes

32. Several substantial cross-cutting change corporate-led programmes have emerged to enhance the efficiency of the authority. An outline of these can be found in Appendix C and all of these programmes will act as key enablers to support LCC's overall activities across all departments in the most cost-effective and efficient manner. Some examples include:

Sustainable Support Services Programme - The sustainable support service programme aims to ensure that the Council has the right tools and most cost effective and efficient level of support in place to deliver its services. This programme will review the end-to-end support in place within all departments and will focus on efficiency of back-office functions designed to support the of the wider council's operations.

Prevention Review – Chief officers have commissioned 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. External support has just been commissioned to support this review, and this will also help to inform the level of potential savings.

Corporate Resources Capital Programme

33. The proposed CR capital programme totals £9.65m over the next four years including 2.758m in 2025/26 as summarised in the table below and Appendix D and described in more detail in the following paragraphs.

Summary CR Capital Programme 2025/26 to 2028/29

	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
ICT	1,531	1,720	3,406	1,666	8,322
Ways of Working	434	0	0	0	434
Property Services	693	0	0	0	693
Climate Change - Environmental Improvements	100	100	0	0	200
	2,758	1,820	3,406	1,666	9,649

34. ICT - £1.5m in 2025/26 amounting to £8.3m over the MTF5 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.

35. Ways of Working programme - £0.4m in 2025/26.

This programme 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 a total investment of £2m, with the final property costs budgeted at £0.4m in 2025/26.

The associated £0.8m annual savings from this investment by year 4 are outlined in CR1.

36. Property major maintenance and improvement - £0.7m in 2025/26.

For 2025/26 the programme includes:

23. £0.2m for the essential replacement of Anstey Frith House windows and roof beams
24. £0.2m for the refurbishment of Aston Firs living blocks

25. £0.2m for the refurbishment of Romulus Court

37. Climate Change - environmental Improvements - £0.2m across 2025/26 and 2026/27.

“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 2035 and to work with partners to achieve net zero carbon emissions in Leicestershire by 2050. To support this £0.2m investment in energy initiatives, including match funding for grants, is required.

Corporate Resources Capital Programme - Future Developments

38. 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.
39. The potential programmes and schemes that may require capital investment in the future include:
- Strategic property: Further repair works on Snibston Ancient Monument
 - ICT Investment: End of life replacement and security improvements.
 - Country Parks: A number of initiatives are being scoped to generate additional income from country parks including: development of café and community/work space and expansion of ANPR ticketless car parking at various country parks
 - 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

40. 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.
41. 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.
42. 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.
43. If, as a result of undertaking an assessment, potential negative impacts are identified, these will be subject to further assessment.
44. 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

45. 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 : 17th December 2024 – Medium Term Financial Strategy 2025/26 to 2028/29

Circulation under local issues alert procedure

None.

Officers to Contact

Declan Keegan, Director of Corporate Resources

Tel: 0116 305 7668

E-mail: Declan.keegan@leics.gov.uk

Simone Hines, Assistant Director of Finance & Strategic Property

Tel: 0116 305 7066

E-mail: Simone.Hines@leics.gov.uk

Nerinder Samaria, Strategic Finance Manager

Tel: 0116 305 7616

E-mail: Nerinder.Samaria@leics.gov.uk

Appendices

Appendix A – Revenue Budget 2025/26

Appendix B – Growth and Savings 2025/26 – 2028/29

Appendix C – Savings Under Development 2025/26

Appendix D – Capital Programme 2025/26 – 2028/29

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