

**SCRUTINY COMMISSION**  
**5 FEBRUARY 2008**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**MEDIUM TERM FINANCIAL STRATEGY 2008/9 – 2010/11**  
**- CORPORATE RESOURCES DEPARTMENT**

**Purpose**

1. This report provides information on the proposed 2008/9 to 2010/11 Medium Term Financial Strategy (MTFS) in relation to the Corporate Resources Department.

**Background**

2. The County Council agreed the MTFS in February 2007. The current process involves updating and developing the strategy. The draft MTFS was approved by the Cabinet on 10 January for consideration in the scrutiny process and wider consultation.
3. Reports such as this were presented to the relevant scrutiny committees. Cabinet will consider the results of the scrutiny process before recommending a budget and capital programme to the County Council on the 20 February.

**Financial Strategy**

4. The Medium Term Financial Strategy has four key elements:
  - Reducing council tax increases  
(3.9% in 2008/9 and 3.5% in 2009/10 and 2010/11).
  - Retaining agreed savings
  - Incorporating challenging efficiency targets which will be hard to achieve and require difficult decisions (2% in 2008/9, 3% in 2009/10 and 2010/11)
  - Targeting resources for service improvement particularly via the LAA.

## Resources

5. Following the settlement the position is as follows:-
- (a) The formula grant has increased over the 3 year period (5.0 %, 4.3%, 4.3%).
  - (b) There is a separate allocation of specific grants which have been grouped together in the Area Based Grant. Most of these grants are at the level anticipated.
  - (c) Account has been taken of the estimate collection fund deficit. The taxbase is in line with expectations.
6. This report seeks to highlight the main implication of the strategy for the Corporate Resources Department.

## Proposed revenue budget

7. The table below summarises the proposed 2008/9 revenue budget and provisional budgets for the next two years. The proposed 2008/9 revenue budget is shown in detail in Appendix A.

**Table One – Summary Proposed Budget 2008/9 and Provisional Budgets for 2009/10 to 2010/11**

		<b>2008/9 Budget £'000</b>	<b>2009/10 Budget £'000</b>	<b>2010/11 Budget £'000</b>
1	Updated original budget	18,337	21,387	21,368
2	Inflation to outturn	550	580	530
3	Previous year's growth and savings	-66	-29	0
4	Other changes	2,746	0	0
<b>5</b>	<b>Sub Total</b>	<b>21,567</b>	<b>21,938</b>	<b>21,898</b>
6	Add proposed growth (App B)	235	120	40
7	Less proposed savings (App B)	-415	-690	-635
<b>8</b>	<b>Proposed/Provisional budget at outturn prices (App A)</b>	<b>21,387</b>	<b>21,368</b>	<b>21,303</b>

8. Variations on growth and savings approved to commence in 2007/08 or earlier years are shown in line 3 of the table above. New proposals or those agreed in the current MTFs due to start in 2008/09 or later years are shown in lines 6 and 7.

## **Inflation**

9. The 2008/9 budget includes inflation of:
- Pay @ 2.5%
  - Additional employer's pension contribution @1.2% of pay
  - Running costs @ 2.5%
  - Income @ 2.7%

10. Where inflation exceeds these assumptions specific growth is included.
11. The budgets for 2009/10 and 2010/11 are provisional.

### **Previous Year's Growth & Savings**

12. This relates to the full year effect of two savings that were incorporated into the 2007/08 budget relating to Oracle site licenses and lease car administration

### **Other Changes**

13. The other changes relate to a number of budgets transferred into the Department. These include HR, Customer Services and Information Management which were previously within the Chief Executive's Department.

### **Growth**

#### Service Improvements

14. The Tree Management Strategy was approved by the Cabinet at its meeting on 15 January. The strategy outlines the County Council's approach to tree and woodland management and provides guidance to customers on standards of tree care and acceptable levels of maintenance.
15. In order to counter the number of trees lost in recent years in Leicestershire, £50,000 ongoing growth is being provided to fund a tree planting programme.

#### Demand and cost

16. The only other growth bid for the Department relates to the additional revenue costs that will need to be met from the developments being undertaken as part of the ICT capital programme. This is £185,000 in 2008/09 rising to £305,000 in 2009/10 and £345,000 in 2010/11.

### **Savings**

17. As noted above the savings include items in the 2007/8 – 2009/10 MTFs which were due to start in 2008/9 or 2009/10. In these cases the approval was given for preliminary work including consultation, necessary for achieving the savings but these still require formal approval for the 2008/9 budget.

#### Efficiency

18. Cashable efficiency savings are those where the same output is produced for a lower cost. The Government efficiency targets apply to the whole budget. To achieve the required level of savings involves looking at how front line services are delivered as well as 'back office' services. This is recognised in Government guidance which acknowledges that efficiency savings could involve changing the balance between different outputs so that some are reduced or removed but replaced with others so the overall benefit to a client

group is maintained. The example quoted in their guidance is the closure of a day centre with replacement by direct payments notwithstanding the possibility of an initial perceived drop in service from the closure.

19. A key area for efficiency savings is improved procurement of goods and services. These can result from negotiating lower contract prices, keeping annual increases below inflation or reducing consumption so long as it does not affect the service output.
20. In 2008/09, efficiency savings are being made in the department as a result of procurement initiatives (£120,000) the most significant being ICT hardware/PC procurement.
21. Other savings of £30,000 within ICT are being realised from the ICT review and from reductions in the rental costs of voice telecoms equipment.
22. The Property Services review will initially save £95,000, with the possibility of further savings in the future. Savings of £30,000 are also being made within Property services through reduced use of contract staff and a £15,000 saving from an increase in the surplus on the County Farms account.
23. Savings of £40,000 will be made in Financial Services and £30,000 within Administration as a result of restructuring.
24. Work is still ongoing to identify where additional savings can be realised to meet the Department's efficiency targets in subsequent years. Many of the savings within Corporate Resources will arise from the various projects that are being delivered as part of the corporate change programme. In particular, the Employee Shared Service Centre and the Strategic Procurement programme. Also from the various support service reviews (HR, Strategic Finance, Shared Services, Property Services (phase 2) and Facilities Management) that are currently being progressed.

#### Service reductions

25. Savings of £55,000 in 2008/09 rising to £155,000 in 2009/10 will be realised through the reduction in the budget available to carry out general maintenance work on County Council properties. This leaves the general maintenance fund budget at £3m.

#### Capital Programme

26. A summary of the proposed Capital Programme is set out in Table two below. The detailed programme is set out in Appendix C. The capital programme is funded by a combination of capital receipts, borrowing and external grants. Government supported borrowing or capital grants are not available to meet the costs of Corporate Resources capital projects.
27. Most of the expenditure within County Hall relates to the development of the replacement sports facilities. There are some other minor allocations for cycle storage units and other facilities.

28. The ICT services programme covers a range of projects including, hardware and software investment and general infrastructure replacement and development.

**Table Two – Summary Capital Programme**

<b>Project</b>	<b>2008/9 £'000</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
County Hall	769	400	0
ICT Services	1,071	850	850
County Farms	125	125	125
Corporate DDA	180	0	100
Risk Management	100	100	100
<b>Total</b>	<b>2,245</b>	<b>1,475</b>	<b>1,175</b>

29. The County Farms allocation covers the costs of new buildings and general improvements at a number of sites.
30. Capital resources have been allocated for 2008/09 to meet the County Council's requirements under the Disability Discrimination Act to improve access to its buildings. However, no allocations have been made for subsequent years pending a review of the County Council's accommodation, other than £100,000 in 2010/11 for work on the ramp at Beaumanor Hall.
31. The allocation for Risk Management is used to fund specific projects at County Council properties to improve security (such as the installation of fire alarms or intruder alarms). The improved security reduces the chances of these properties being damaged and can lead to reduced costs of insurance premiums.

### **Change Management**

32. In the current year, £9.5m of resources have been made available for change management projects from various sources, primarily the PSA reward grant, the Local Authority Business Growth Incentive Scheme and reserves. Given the planned implementation timetable for the various projects making up the programme, most of this resource will need to be carried forward to 2008/09 and 2009/10.
33. Ongoing revenue budgets of just over £1m a year have previously been transferred to fund the change programme along with £1.3m already allocated as part of the existing capital programme for 2008/09 and 2009/10. The current MTFs allocates a further £1.2m in 2008/09 to meet the up front investment costs of the programme.
34. Over a five year period up to 2010/11, it is currently planned that £27m will have been spent on the change programme. The change programme is about delivering both efficiencies and service improvements. Of this investment, £14m relates to the efficiency programme which is expected to generate £26m of cumulative efficiency savings over this period. Beyond

2010/11, ongoing net savings of £6m per annum are expected to be realised across the change programme as a whole.

**Recommendation**

35. Members are asked to consider the report and any response they may wish to make to the Cabinet.

**Equal opportunities implications**

36. There are no discernable equal opportunity implications as a result of the proposed MTFS. All capital projects undergo appropriate planning to ensure that the needs of all users are taken into account. This will include the intellectual as well as the physical access and cover both services provided as well as buildings they are provided from.

**Background papers**

MTFS – Cabinet 10 January 2008

**Circulation under sensitive issues**

None

**Officers to contact**

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**Appendices**

Appendix A – Revenue budget 2008/9

Appendix B – Growth and Savings 2008/9 to 2010/11

Appendix C – Capital Programme 2008/9 to 2010/11