

SCRUTINY COMMISSION: 28th JANUARY 2009

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

MEDIUM TERM FINANCIAL STRATEGY 2009/10 – 2012/13
CORPORATE RESOURCES

Purpose

1. This report provides information on the proposed 2009/10 to 2012/13 Medium Term Financial Strategy (MTFS).

Background

2. The County Council agreed the MTFS in February 2008. The current process involves updating and refining the strategy. The draft MTFS was approved by Cabinet on 13th January for consideration in the scrutiny process.
3. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees and to the Scrutiny Commission. Cabinet will consider the results of the scrutiny process before recommending a budget and capital programme to the County Council on the 25th February.

Financial Strategy

4. The overall position on the MTFS is set out in the report to Cabinet on 13th January, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Corporate Resources department.

Proposed revenue budget

5. The table below summarises the proposed 2009/10 revenue budget and provisional budgets for the next three years. The proposed 2009/10 revenue budget is shown in detail in Appendix A.

Table One – Summary Proposed Budget 2009/10 and Provisional Budgets for 2010/11 to 2012/13

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
1. Updated original budget	21,360	23,264	23,099	23,524
2. Inflation to outturn	751	560	750	770
3. Previous years growth and savings (2008/09)	-43	-15	0	0
4. Other changes	1,761	0	0	0
5. Sub Total	23,829	23,809	23,849	24,294
6. Add proposed growth (Appendix B)	320	110	105	95
7. Less proposed savings (Appendix C)	-885	-820	-430	-440
8. Proposed/Provisional budget at outturn prices (Appendix A)	23,264	23,099	23,524	23,949

6. The 2008/09 budget includes inflation of:
 - Pay @ 2.5%;
 - Additional employers pension contributions of 1.2% of pay;
 - Running costs 2.5%
 - Income 2.8%
 - Where inflation exceeds these assumptions specific growth is included.
7. The figures for 2010/11, 2011/12 and 2012/13 are provisional and are based upon available information.
8. Variations on growth and savings approved to commence in 2008/09 or earlier years are shown in line 3 of the above table. New proposals or those agreed in the current MTFS due to start in 2009/10 or later years are shown in lines 6 and 7.

Full Year Effect of Previous Year's Growth and Savings

9. The net effect of the previous year's growth and savings is a reduction of £43,000 on the updated original budget for 2009/10. This relates to the additional growth for the revenue consequences of developments undertaken as part of the 2008/09 ICT capital programme (£84,000) offset by the full year effect of the lease car administration savings (-£29,000) and Central Maintenance Fund savings following transfer of Elderly Persons Homes to the private sector (-£98,000).

Other Changes

10. A number of transfers were undertaken during the last financial year, which has resulted in a net budget increase of £1,761,000 on the 2008/09 original budget. In the main these included transfers to the Department for Strategic Procurement (£507,000) previously within Change Management; the Client and Technical Support Services (£473,000) previously within Children and Young Peoples Department and the Information Provision Team (£144,000) previously within the Chief Executives Department. Budgets associated with staff affected by the Property Services review (totalling £341,000) and Customer First (totalling £148,000), together with contributions from department towards the costs of Internal Communications posts (totalling £195,000) were also transferred to the Department.

Growth

11. Details of growth requirements are set out in Appendix B.

Demand and cost increases

12. There is growth provision proposed for costs associated with excess inflation on energy and fuel prices. This provision will be held centrally and allocated out to the relevant department as required. Potential claims against this provision are outlined in paragraphs 13 to 17 below.
13. To reflect the potential impact of excess energy and fuel inflation on independent providers of Social Care services, a provision for £700,000 has been made.

14. For Highways Maintenance the costs of providing services can increase in excess of the standard inflation provision (depending on price increases from contractors) and are generally in line with construction industry indicators of pricing levels. Given the current economic climate additional funding requirements are uncertain, however, £250,000 growth in 2009/10 rising by a further £250,000 has been included per annum until 2012/13.
15. Energy for street lighting is block purchased through ESPO. Prices up until June 2009 are known (and are significantly in excess of what was being paid earlier this financial year). Based on the existing contract prices growth of £1,660,000 is likely to be required. The next block purchase for energy from July could see prices fall, in which case some of this growth bid may not be necessary.
16. Prices of fuel have increased significantly over the last year but are now falling again. Therefore it is very difficult to predict exactly what the cost implications will be from fuel prices, especially as many of the costs are driven by the price of contracts as they are re-tendered. Initial indications suggest it is probable that growth of £400,000 will be required.
17. Costs are expected to increase with the re-tender of Waste haulage and disposal contracts as contract prices are in part linked to industry indices, which reflect the inflation of relevant cost drivers (including fuel). The impact of this is difficult to predict but current estimates suggest a provision should be made of £170,000 in 2009/10 rising to £290,000 in 2010/11; to £340,000 in 2011/12 and to £410,000 in 2012/13. For all the above items for excess inflation future year requirements will be reviewed as further price information becomes available.

Service improvements

18. The Local Resilience Forum intends to revise the resilience arrangements for the County by designating reporting responsibility for emergency management to the Police Authority. Responsibility for business continuity management will, however, continue to remain within the domain of the authority. To implement these arrangements additional funding will be required to establish a new Business Continuity Manager post within the Emergency Management team. Greater emphasis will also be placed on increasing the profile of risk management both within the authority and across partnership working. A provision of £45,000 has been made for these initiatives.
19. Capital bids have been proposed and approved in principle for three key ICT projects: 'Invest to Save', Infrastructure replacement and development and Corporate licensing. These projects will require additional revenue funding on an on-going basis. Revenue consequences of the corporate ICT programme are estimated to be £60,000 in 2009/10, with further annual increases of £110,000 in 2010/11, £105,000 in 2011/12 and £95,000 in 2012/13.
20. The Information Management service provides support to both the strategic change programme and departmental priorities. Specifically support is provided to the Customer First programme, the Employee Service Centre, the Oracle ERP programme and other strategic change projects. As a result of these demands, the corporate information management resource is fully utilized, and is having to draw heavily on consultancy support. Anticipated support requirements for the strategic

change programme include completion of the HR Review, the property review, the finance review, further support for Oracle ERP implementation, phases 3 and 4 of Customer First, and extensive support for Work Well. The cost of this support is £65,000.

21. The council's customer service strategy sets out the County Council's vision to deliver high quality, responsive, accessible and value for money services. To succeed customer services needs to be strongly embedded within the values and culture of the county council. Funding of £60,000 is therefore required to deliver customer services training to both frontline staff and service managers.

Reduced Income

22. Leicestershire Fire and Rescue are currently looking to implement a new regional financial system, which is scheduled to go live mid October 2009. As existing financial service providers this will result in an annual loss of income for the authority of £90,000.

Savings

23. Details of savings requirements are also set out in Appendix B.

Efficiency

24. Whilst some efficiency savings are being made within the Department through Property buildings maintenance and ICT, the main efficiencies are expected to be generated through corporate change projects such as Modernising HR and payroll, Phase 2 property review, facilities management review and the finance review.
25. Implementation of the revised structure for HR and Payroll, which will include the establishment of an Employee Service Centre; departmental specific Business Partners, a Corporate HR service and Corporate Learning and Development section is expected to generate a saving of £444,000 in 2009/10 rising to £610,000 in 2010/11.
26. Phase 2 of the property review is due to commence in 2009/10 and will focus on addressing areas excluded from phase 1 of the review, specifically project/programme management, the customer inspections team, forestry services and external partnerships. The project aims to save £276,000 in 2009/10, rising to £528,000 in 2010/11.
27. Together with the consolidation of the existing facilities management function, new contracts are being sought for a range of facilities management services. The combined effect of more efficient structures and improved procurement via a single contract is forecast to generate savings £169,000 in 2009/10 rising to £252,000 in 2010/11.
28. A review of finance including transactional and strategic accountancy functions in response to changes arising from the internal management structures review and external drivers such as the new Use of Resources assessment. Savings of £493,000 (2010/11) are anticipated through the implementation of a Business Partner approach for the provision of strategic accountancy and the establishment of a Transactional Finance Shared Service Centre and a central reporting/accounting team.

29. Early indications suggest that the efficiencies generated by these projects will exceed the annual savings targets for the Department. It is therefore expected that any acceleration in efficiency savings will count towards target requirements in later years.

Service reductions

30. Savings of £100,000 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 £3.5m.

Capital Programme

31. 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.

Table Two – Summary Capital Programme

Project	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
County Hall	4,980	8,745	8,345	20
ICT Services	750	850	900	850
County Farms	125	125	125	125
Corporate DDA	100	0	0	0
Risk Management	100	100	100	100
General Disposal Costs	200	200	200	200
Total	6,255	10,020	9,670	1,295

Commitments from earlier years

32. Included within the County Hall scheme are commitments approved in 2006/07 for the replacement of sports facilities at County Hall (£730,000 in 2009/10 and £400,000 in 2010/11) and the renovation of the Eastern Annexe £250,000 in 2009/10.
33. The ICT Services scheme also includes funding of £180,000 in 2009/10 for the purchase of corporate licence, which was approved in 2008.

Details of Projects

34. Work on the accommodation review is scheduled to commence in 2009/10. This aims to rationalise the Authority's existing office portfolio whilst providing a modern working environment which is consistent in terms of quality, facilities and space and is cost and energy efficient, flexible and fit for purpose. Capital allocation of £4,000,000 has been provided for 2009/10 with provisions for later years of £8,745,000 in 2010/11, £8,345,000 in 2011/12 and £20,000 in 2012/13. This is on an 'invest to save' basis. The financing costs will be met from the savings generated.
35. The ICT Services scheme relates to invest to save infrastructure projects (£250,000 in 2009/10 and 2010/11, £300,000 in 2011/12 and £250,000 in 2012/13) and replacement and development of the ICT infrastructure (£320,000 in 2009/10,

£435,000 in 2010/11 and £480,000 in 2011/12 and 2012/13). A provision has also been made in later years for corporate licensing (£165,000 in 2010/11, £120,000 in 2011/12 and 2012/13).

36. Capital allocations for County Farms will be used for enhancing disposal facilities and general improvements at a number of the County Council's sites. For 2009/10 these include Dunton Lodge Farm, Misterton Field Farm and Valley Farm.
37. To comply with the Disability Discrimination Act an improvement to the disabled access to Beaumanor Hall is required. Works are expected to be undertaken in 2009/10 at a cost of £100,000.
38. The allocation for Risk Management (£100,000 2009/10 through to 2012/13) will be used to fund specific projects aimed at improving the security of the Authority's premises. Such projects include the installation of fire/intruder alarms, CCTV and security fencing.
39. Due to the current economic climate it is very unlikely that the existing level of capital receipts will be maintained. To reflect this the provision for general disposal costs has been reduced to £200,000 per annum.

Recommendation

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

Equal opportunities implications

41. 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 13th January 2009.

Circulation Under Sensitive Issues

None.

Officer to Contact

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Appendices

Appendix A – Revenue budget 2009/10

Appendix B – Growth and Savings 2009/10 to 2012/13

Appendix C – Capital Programme 2009/10 to 2012/13