



BUDGET AND PERFORMANCE MONITORING SCRUTINY PANEL

25TH JANUARY 2010

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

MEDIUM TERM FINANCIAL STRATEGY 2010/11 – 2013/14 **CORPORATE RESOURCES**

Purpose

1. This report provides information on the proposed 2010/11 to 2013/14 Medium Term Financial Strategy (MTFS) as it relates to the Corporate Resources Departmental Budget.

Background

2. The County Council agreed the current MTFS in February 2009. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2010/11 – 2013/14 was approved by the Cabinet on 12th January 2010 for consideration in the scrutiny process.
3. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees. The views of this Panel, together with the views of the two Scrutiny Committees will be reported to the Scrutiny Commission on 3rd February 2009. The Cabinet will consider the results of the scrutiny process before recommending a MTFS including a budget and capital programme for 2010/11 to the County Council on the 24th February.

Financial Strategy

4. The MTFS is set out in the report to the Cabinet on 12th 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 2010/11 revenue budget and provisional budgets for the next three years. The proposed 2010/11 revenue budget is shown in detail in Appendix A.

Table One – Summary Proposed Budget 2010/11 and Provisional Budgets for 2011/12 to 2013/14

	2010/11 £ 000	2011/12 £ 000	2012/13 £ 000	2013/14 £ 000
1. Updated original budget	24,251	31,871	30,300	28,724
2. Inflation to outturn	-197	0	0	0
3. Previous years growth and savings (2009/10)	-827	-311	-80	-0
4. Other changes	9,244	0	4	8
5. Sub Total	32,471	31,560	30,224	28,732
6. Add proposed growth (Appendix B)	60	30	30	40
7. Less proposed savings (Appendix B)	-660	-1,290	-1,530	-1,900
Proposed/Provisional budget at outturn prices (Appendix A)	31,871	30,300	28,724	26,872

6. Detailed budgets for 2010/11 include no increase for inflation and an overprovision for pay inflation in 2009/10 has been removed.
7. The figures for 2011/12, 2012/13 and 2013/14 are provisional.
8. The full year effect of growth and savings approved to commence in 2009/10 or earlier years are shown in line 3 of the above table. New proposals due to start in 2010/11 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 £827,000 on the updated original budget for 2010/11. In the main this relates to additional savings arising from corporate projects (-£614,000) namely Modernising HR and Payroll, Facilities Management and Modernising Financial Services, as well as the review of Customer and Inspection and Capitalisation of Site Investigations Works within Property services (-£131,000). The balance (a reduction of £82,000) relates to various minor savings.

Other Changes

10. Through the Corporate Change Programme the County Council has been reshaping the organisation. One of the key principles for change (as set out in the 'Vision for Transformation') is support services will be managed corporately. The benefits of this are:
 - Activities are located together to create economies of scale;
 - unnecessary duplication is avoided;
 - centres of expertise for services such as HR, Finance, ICT and Property are created.
11. As a result of the above changes a number of transfers were undertaken during the last financial year which has resulted in a net budget increase for the Department of £9,244,000 on the 2009/10 original budget, but no increase on the County Council's overall budget. Pending a review the budget for Commercial and Support Services, this team has been transferred to the Department following the cessation of the Community Services Department (£1,983,000). A number of support services transferred to Corporate Resources: departmental HR (£2,225,000) and departmental

finance (£2,243,000). The Customer Service Centre was also established resulting in a transfer from the Corporate Change Management and Highway, Transportation and Waste Management Department of £916,000 in total.

12. Other large transfers from departments were as a result of Corporate projects including the review of Property Services repairs and maintenance (£656,000), the accommodation strategy (£450,000), the end user ICT asset management (EUIAM) project (£464,000) and a review of energy services (£250,000).

Growth

13. Details of growth proposals are set out in Appendix B.

Demand and cost increases

14. The Mapping Service Agreement is negotiated annually by the IDEA on behalf of all local authorities to provide all spatial data products including Ordnance Survey Mapping and address gazetteer. For 2010/11 costs are expected to increase by a further 15% (£20,000), which unlike previous years cannot be absorbed by the existing budget. (Ref. 1 Appendix B)

Other Growth

15. Capital bids have been proposed and approved in principal for ICT infrastructure replacement and development and corporate licensing. These projects will require additional revenue funding on an ongoing basis. The revenue consequences of the Corporate ICT programme is estimated to be £20,000 in 2010/11 rising to £50,000 in 2011/12, £80,000 in 2012/13 and £120,000 in 2013/14. (Ref. 2 Appendix B)
16. Within the budget transferring from the Community Services Department are the grants payable to Citizen's Advice Bureaux for accommodation and utilities. One Bureaux, in Charnwood, will be subject to higher accommodation costs in coming years due to a change in planned location since the previous budget setting process. A growth bid of £20,000 is proposed to cover the increased costs. (Ref. 3 Appendix B)

Savings

17. Details of savings requirements are set out in Appendix B.

Efficiency

18. A review of Strategic Finance is expected to generate savings of £60,000 in 2010/11 rising to £280,000 in 2011/12 and £290,000 in 2012/13. This will include the restructure of the Senior Management team (£90,000), opportunities for Audit shared services with District and Borough Councils (£50,000) and the provision of Insurance cover in-house (£150,000). (Ref. 4 Appendix B)
19. Phase 2 of the Property Services review will focus on a number of opportunities including the replacement of the Property Management Information System, a review and restructure of the Strategic Asset Management team and the implementation of new maintenance term contracts and framework contracts. In total these projects aim

to save £30,000 in 2011/12 and 2012/13 then rise to £370,000 in 2013/14. (Ref. 5 Appendix B)

20. The accommodation strategy is an ongoing project to review the County Council's properties. The aim is to reduce the number of properties used and ensure the remaining properties are as efficient as possible. The project includes a workwell/flexible working element to bring about positive change in the work culture and practices across the organisation with a view to developing more effective, flexible and efficient ways of working. It also includes a review of items currently stored by the Council and the cost of that storage. Anticipated savings from the accommodation strategy are £800,000 from 2012/13 onwards. (Ref. 6 Appendix B)
21. ICT services have developed a cost reduction programme, totalling £2,230,000 by 2013/14. Savings will arise from a management restructure, review of external services and delivery of personal computing, assessment of service levels and feasibility for shared services and the reduction in provision of ICT Community and Rural services. (Ref. 7 Appendix B)
22. A number of reviews are proposed for Shared Services. The main areas in which these will take place will be Payroll, Switchboard, the Customer Service Centre and the Financial Services Centre. Initiatives within Central Print services to improve working practices and generate additional income have also been identified. Further savings are expected from the existing Shared Services management structure, which will be considered in light of these reviews. These reviews aim to deliver savings of £160,000 in 2010/11. This is expected to increase to £310,000 in 2011/12, £510,000 in 2012/13 and £690,000 in 2013/14. (Ref. 8 Appendix B)
23. Departmental wide initiatives are expected to secure savings of £360,000 by 2013/14. Establishment controls have been introduced to increase savings arising from staff turnover, all corporate contracts exceeding £50,000 are being assessed to identify further procurement savings and more stringent procurement controls are being implemented to ensure value for money is being achieved. (Ref. 9 Appendix B)
24. Savings of £100,000 in 2010/11 are expected to be achieved following the centralisation of the authority's Learning and Development budgets. Through the combination of a staffing restructure and more efficient procurement of training courses, savings are expected to rise to £400,000 in 2013/14. (Ref. 10 Appendix B)
25. Reviews of the recognition scheme and general non-salary budgets along with a knowledge transfer partnership are expected to generate further savings. These are anticipated to be £10,000 in 2010/11 rising to £40,000 in 2011/12, £120,000 in 2012/13 and £240,000 in 2013/14. (Ref. 11 Appendix B)

Capital Programme

26. A summary of the proposed Capital Programme is set out in Table three below. The detailed programme is set out in Appendix C.

Table Three – Summary Capital Programme

Project	2010/11 £ 000	2011/12 £ 000	2012/13 £ 000	2013/14 £ 000
<u>Commitments from Earlier Years</u>				
Replacement Sports Facilities	400			
Accommodation Review (Invest to Save)	9,410	4,750	985	
Corporate DDA	170			
Change Management	280			
Carbon Efficiency Programme	1,250			
<u>2010/11 New Starts</u>				
ICT Services	600	600	600	600
County Farms	125	0	0	0
Risk Management	100	100	100	100
General Disposal Costs	200	200	200	200
Legal Costs	175	155	135	135
Total	12,710	5,805	2,020	1,035

Details of Projects

27. The programme includes £400,000 for the completion of replacement sports facilities at County Hall, required as part of the sale of the existing playing field and facilities.
28. Also incorporated in the programme is the continuation of the office accommodation review project (£15.1m). The project will generate revenue savings to offset the cost of prudential borrowing and provide ongoing revenue savings.
29. To comply with the Disability Discrimination Act an improvement to the disabled access to Beaumanor Hall is required. This was originally agreed in 2009/10. However, problems with securing support from English Heritage have meant that works on this project are expected to increase by £70,000 in 2010/11 to £170,000.
30. Commitments of £280,000 are included on the Change Management programme towards the completion of projects that started in 2009/10 including Customer First, Oracle E-Business Suite and Modernising HR and Payroll.
31. The programme also includes £1.25m for Carbon Efficiency projects funded by revenue reserve, matched funded capital grant and the CYPS capital programme. The programme continues investment in carbon efficient technology as part of the Council's commitment to reduce CO₂ emissions from council operation by 30% by the end of 2014 from 2008/09 levels.
32. The ICT Services scheme relates to replacement and development of the ICT infrastructure (£490,000 in 2010/11 reducing to £480,000 from 2011/12 onwards) and corporate licensing (£110,000 in 2010/11 increasing to £120,000 from 2011/12 onwards).

33. The capital allocation for County Farms will be used for the general upgrade of disposal facilities at all County Council sites in order to meet the revised statutory requirements.
34. The allocation for Risk Management 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. This initiative will help to reduce invoice premiums.
36. The programme includes a provision for general disposal costs at £200,000 per annum and legal costs of £175,000 in 2010/11.

Recommendation

37. Members of the Panel are asked to consider the report and any view they may wish to report to the Scrutiny Commission.

Equal Opportunities Implications

38. 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

Medium Term Financial Strategy 2010/11 – 2013/14 – Report to the Cabinet 12th January 2010.

Circulation under the Local Issues Alert Procedure

None.

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Appendices

- Appendix A – Revenue Budget 2010/11
- Appendix B – Growth and Savings 2010/11 to 2013/14
- Appendix C – Capital Programme 2010/11 to 2013/14