

BUDGET AND PERFORMANCE MONITORING SCRUTINY PANEL**25 JANUARY 2011****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****MEDIUM TERM FINANCIAL STRATEGY 2012/13 – 2015/16
CORPORATE RESOURCES DEPARTMENT & CORPORATE ITEMS****Purpose**

1. The purpose of this report is to:
 - (a) provide information on the proposed 2012/13 to 2015/16 Medium Term Financial Strategy (MTFS) as it relates to the Corporate Resources Departmental budget; and
 - (b) ask the Panel to consider any issues as part of the consultation process and make any recommendations for consideration by the Scrutiny Commission.

Background

2. The County Council agreed the current MTFS in February 2011. This has been the subject of a comprehensive review and revision in light of the current funding circumstances. The draft MTFS for 2012/13 – 2015/16 was approved by the Cabinet on 17 January 2012 for consideration through the scrutiny process.
3. Similar reports to 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 1 February 2012. The Cabinet will consider the results of the scrutiny process before recommending an MTFS including a budget and capital programme for 2012/13 to the County Council on the 22 February 2012.

Financial Strategy

4. The MTFS is set out in the report to the Cabinet on 17 January 2012, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Corporate Resources Department and deals with corporate growth and savings associated with the Department.

Proposed revenue budget

5. The table below summarises the proposed 2012/13 Departmental revenue budget and provisional budgets for the next three years. The proposed 2012/13 revenue budget is shown in detail in Appendix A.

Table One – Summary Proposed Departmental Budget 2012/13 and Provisional Budgets for 2013/14 to 2015/16

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
1. Updated original budget	33,538	35,163	32,667	32,271
2. Other Changes and Transfers	5,425	179	169	172
4. Add proposed growth (Appendix B)	50	30	30	30
5. Less proposed savings (Appendix B)	-3,850	-2,705	-595	-745
Proposed/Provisional budget (Appendix A)	35,163	32,667	32,271	31,728

6. Detailed budgets for 2012/13 have been compiled on the basis of no pay or price inflation. A central contingency will be held which will be allocated to services as necessary.
7. The figures for 2013/14, 2014/15 and 2015/16 are provisional.
8. The proposed net budget for 2012/13 totals £35,163,000, made up of:-

	£
Employees	32,206,726
Running Costs	<u>22,163,050</u>
Gross Costs	54,369,776
Income	<u>-19,206,776</u>
Net Budget	<u>£35,163,000</u>

9. This report also contains details of corporate growth and savings items that impact across all departments.

Other Changes and Transfers

10. The detailed budget includes provision for an increase in the employer's pension contributions in 2012/13 and 2013/14 based on the results of the 2010 triennial actuarial revaluation of the Pension Fund. Similar increases have been assumed in 2014/15 and 2015/16.
11. A number of transfers, which result in no increase in the County Council's overall budget, were undertaken during 2011/12. This has resulted in a net budget increase of £5,256,000 on the 2011/12 original budget. Budget reductions were made to achieve the corporate savings relating to the cessation of the Community Services Department (£700,000). Several transfers were received by the Department relating to the move towards managing support services corporately, namely: ICT (£1,538,000); Customer Service Centre (£719,000); Accommodation and Utilities costs (£1,974,000); Communications (£303,000); Learning and Development (£67,000); and Health and Safety (£349,000). The transfer in of catering (£145,000) and the transfer out of Citizens' Advice Bureaux (£164,000) reflect the new line management arrangements. A transfer was received from the centrally held inflation contingency (£644,000), primarily to cover unavoidable increases in utility costs and corporate contracts and there was a transfer from capital to revenue expenditure to reflect the change in accounting treatment relating to property disposal costs (£250,000).

12. 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

13. This star rating is included in the descriptions set out for growth and savings below.

Growth

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

Demand & cost increases

15. **Revenue consequences of Corporate ICT capital programme: £30,000 in 2012/13 rising to £60,000 in 2013/14, to £90,000 in 2014/15 and to £120,000 in 2015/16.
The draft capital programme includes provision for replacement of ICT infrastructure and licences (see paragraphs 37 to 40).

16. ICT: Mobile customer access channels: £20,000 in 2012/13.
This growth bid is to cover the subscription costs to a company that will provide new customer access channels to the County Council such as mobile phone applications and digital TV.

Corporate & Central Growth Items

17. *Carbon Reduction Commitment: £900,000 in 2012/13
The Carbon Reduction Commitment Energy Efficiencies Scheme (CRCEES) requires organisations (public and private sector) which consume large amounts of energy to become part of a carbon allowance scheme. The scheme requires organisations to buy allowances for carbon emissions at an initial cost of £12 per tonne; this replaces the initial scheme design that was based upon trading of allowances.

18. *Changes to arrangements for Supported Employment: £95,000 in 2012/13, rising to £120,000 in 2013/14 and to £130,000 in 2014/15.
At the end of October 2010 the Workstep scheme that provided financial assistance to the longstanding Supported Employment Scheme will come to an end and be replaced by a new scheme called WorkChoice. The new scheme will provide a reducing level of subsidy than is currently received, so to enable the County Council to continue with the current level of supported employment additional resources are required.

19. 2015-16 growth (unallocated growth): £5,000,000 in 2015/16.
This provision is to allow for future cost pressures that are unknown or too uncertain to be quantified, such as changes in legislation.

Savings

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

Efficiency

21. ****Review of People and Transformation: £160,000 in 2012/13 rising to £380,000 in 2013/14, to £420,000 in 2014/15 and to £475,000 in 2015/16.**
Following the restructure of the Corporate Resources Department's management team, the People and Transformation Section is comprised of the following functions: Human Resources; Health & Safety; Learning & Development; and the Change Management Unit. A contribution to these savings will be made by all of the functions, with the exception of Learning and Development which is outlined below. The savings will be based upon the Section adapting to reflect the changing needs and size of the County Council. Cost reductions will be primarily from staffing, although there is a potential to partially mitigate this through trading Health and Safety services with academies.
22. ****Learning & Development review: £230,000 in 2012/13 rising to £265,000 in 2013/14**
Although savings will be the result of the reducing size of the County Council's workforce a further review of the corporate and departmental learning programmes will be required.
23. ****Review of Property Services: £545,000 in 2012/13 rising to £710,000 in 2013/14, to £750,000 in 2014/15 and to £780,000 in 2015/16.**
The review will make savings across the main expenditure areas of the service namely: Facilities Management (£100,000); Estates (£100,000); Business Support (£65,000); and the Development Unit (£100,000). Reductions in senior management (£200,000) and external advisory services (£70,000) will make a contribution, as will the ongoing effects of the catering improvements (£145,000). In addition to the savings above, the property function is predicting, based upon current projections, a significant loss of income related to a reduction in capital schemes over the medium term. Should this loss of income occur then further savings, primarily staffing, will need to be made to compensate for this.
24. **Reductions relating to Dedicated Schools Grant: £750,000 in 2012/13 rising to £1,295,000 in 2013/14.**
When schools convert to become an academy and leave local authority control the Dedicated Schools Grant for central services reduces. Part of this grant was allocated to the Corporate Resources Department, hence the costs of services is being reduced accordingly.
25. ****Accommodation Strategy: £700,000 in 2012/13 rising to £800,000 in 2013/14.**
The accommodation strategy is an ongoing project to rationalise the County Council's properties. Savings will be delivered by reducing the number of administrative properties and ensuring the remaining properties are more energy efficient.
26. ****Efficiency savings from sharing services with Nottingham City Council: £50,000 in 2012/13 rising to £590,000 in 2013/14 and to £1,000,000 in 2014/15.**
Sharing transactional Finance, HR and Payroll Service with Nottingham City will deliver savings at a higher level than would be possible from the County Council working independently.

27. ** Customers service and Operations: £340,000 in 2012/13 rising to £1,180,000 in 2013/14, to £1,195,000 in 2014/15 and to £1,655,000 in 2015/16.
Following the restructure of the Corporate Resources Department's management team, the Customer Service and Operations Section comprises of the following functions: Customer Service Centre; Employee Service Centre; Finance Shared Service Centre; Operational ICT; Pensions and Corporate Resources support services. The majority of savings will be found from Operational ICT, although all functions will contribute. The Operational ICT action plan currently being implemented will deliver approximately one third of the required savings, with future savings being achieved through further service reviews and external contracts.
28. **Information Management (IM) and Strategic IT: £315,000 in 2012/13 rising to £450,000 in 2013/14, to £470,000 in 2014/15 and to £555,000 in 2015/16.
The IM and Strategic ICT action plan currently being implemented will deliver approximately half of the required savings. The future savings will be delivered through further reviews of the function.
29. **Communications review: £625,000 in 2012/13 rising to £740,000 in 2013/14.
The action plan and corporate prioritisation process to deliver the majority of these savings are being implemented in the current year.
30. **Review of Strategic Finance & Procurement: £220,000 in 2012/13 rising to £290,000 in 2013/14, to £495,000 in 2014/15 and to £600,000 in 2015/16.
Reviews across this service area will continue, with savings expected to be delivered from the following areas: Procurement (£45,000); Resilience (£60,000); Accountancy (£330,000); Insurance (£15,000); and Internal audit (£150,000).
31. **Contingency: £135,000 in 2012/13 rising to £195,000 in 2013/14 and to £320,000 in 2015/16.
The various savings proposals outlined in the paragraphs above are at different stages of development. At this stage the Department is proposing to set a higher target saving than required. This will provide a contingency if some of the proposed changes are not fully achieved.

Service reduction

32. **Review of Country Parks and Forestry services: £50,000 in 2012/13.
Changes in the Country Parks Service were implemented part way through the 2011/12 financial year and this budget reduction is the associated full year effect.

Academies

33. The savings outlined above include the Corporate Resources Department's contribution towards the loss in funding for the County Council relating to the conversion of schools to academies. There is a retained risk within the Corporate Resources Department's budget associated with income received for services that are performed for schools. This income is currently worth £10m, equivalent to 20% of the Corporate Resources Department's total budget. A reduction in income will necessitate additional savings; this will impact the provision of internal services due to lost contribution towards overheads and reduced economies of scale.

Corporate Savings

34. Review of terms and conditions including business mileage: £300,000 in 2012/13 rising to £1,000,000 in 2013/14 and to £2,000,000 in 2014/15.
The proposals to deliver savings from pay and a range of allowances are currently being consulted on.
35. Carbon / Energy savings: £50,000 in 2012/13 rising to £145,000 in 2013/14, to £245,000 in 2014/15 and to £445,000 in 2015/16.
These targets are the financial benefits relating to the Council's targeted reduction in energy usage.
36. Service reductions - to be identified: £5,000,000 in 2015/16.
These reductions have been included in the MTFs to accommodate the future cost pressures outlined in paragraph 18.

Capital Programme

37. 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, new starts

Project	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
ICT Services	770	920	510	510
Property	300	0	0	0
County Farms	150	150	150	150
Total	1,220	1,070	660	660

Details of Projects

38. The ICT Services schemes relate to: replacement and development of the ICT infrastructure (£480,000 from 2012/13); investment in Business Intelligence Tools (£200,000 in 2013/14); Citizen Self Service Technology (£250,000 in 2012/13 and £150,000 in 2013/14); Parish Council website provision and integration (£40,000 in 2012/13 and £30,000 from 2013/14 to 2015/16); and the introduction of Oracle Policy Automation, with the aim of obtaining efficiency benefits in the Customer Service Centre (£60,000 in 2013/14).
39. The Property scheme is to install a back-up generator for the Penn Lloyd building in order to facilitate continuity of services in the event of mains electrical supply failure.
40. The capital allocation for County Farms will be used for the continued general upgrade of facilities at all County Council sites in order to meet the revised statutory requirements.

Recommendation

41. Members of the Panel are asked to consider the report and any views they may wish to make.

Equal opportunities implications

42. Many aspects of the County Council's MTFS budget are directed towards the needs of disadvantaged people. Where proposed savings are likely to have an adverse impact on service users protected under equalities legislation, Equality Impact Assessments must be undertaken at a formative stage of developing proposals prior to all final decisions being made. Assessments are being undertaken in light of the potential impact of proposals and the timing of the proposed changes.

Background Papers

Report to the Cabinet: 17 January 2012 – Medium Term Financial Strategy 2012/13 – 2015/16.

Circulation under the Local Issues Alert Procedure

None.

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Appendices

Appendix A – Revenue budget 2012/13

Appendix B – Growth and Savings 2012/13 to 2015/16

Appendix C – Capital Programme 2012/13 to 2015/16