

## **Appendix 2: Economy & Skills Committee - 23/24 Savings Position as at Q2**

### **Summary**

This report updates Economy & Skills OSC on the progress in delivering the 23/24 savings agreed in the MTFS 2023/26 that fall under this committee portfolio.

An extensive review process has been undertaken between Q1 and Q2 and the position reported below is as at Q2 (End of September 23).

### **Background**

There are ten specific areas of savings in 23/24 totalling £10.544m that fall under the committee portfolio and these are listed below on page 2.

Each area has been risk rated to indicate the current level of confidence in achieving each savings target either in-year during 23/24 or over the longer term MTFS period 2023/26. Page 4 of this appendix explains the risk rating criteria.

### **Quarter 2 Position**

Of the Total £10.544m savings in this portfolio, £0.733m is green with low risk to delivery, £0.816m is Amber with medium risk to delivery and £8.995m is Black indicating that these savings are highly unlikely to be realised in 23/24 and alternative mitigation will need to be developed at least to balance the 23/24 budget.

The Amber items relate to vacancy management and review of £5k-£10k leases. Currently these savings are rated Amber denoting Medium Risk due to the lack of monitoring information available through Oracle. Work to deliver these savings is progressing but will need to be managed and monitored carefully throughout the year to ensure the full savings targets are achieved.

The £8.995m savings that will not be realised this year relate to Corporate Landlord (£0.500m), Disposal of Council Admin Buildings (£3.745) and Investment new Commercial Properties (£4.750m). A brief explanation of the reasons for why the savings cannot be realised in 23/24 are included in page 3 below. Work is underway to identify alternative in-year savings as part of the wider budget recovery work to mitigate the resulting budget gap and further updates on that work will be provided in due course.

Decisions will also need to be made around the longer term deliverability of these savings and where this is no longer possible they will need to be written off and longer term alternatives developed.

**List of 23/24 Savings Projects & RAG status as at Q2**

Directorate	OSC Portfolio	Summary Description	Delivery Risk In-Year 2023/24 (Saving) £'000	Delivery Risk Over MTFS (Saving) £'000
Place, Prosperity & Sustainability	Economy and Skills OSC	Fees & Charges 5%	(83)	(83)
Place, Prosperity & Sustainability	Economy and Skills OSC	CAB Premises - Council House Commercialisation Income generation through improved commercial offer including banqueting and events.	(50)	(50)
Place, Prosperity & Sustainability	Economy and Skills OSC	Commercial Property - Lease Event Opportunities Review of commercial property leases – includes rent reviews and extension options	(600)	(600)
		<b>TOTAL</b>	<b>(733)</b>	<b>(733)</b>
Place, Prosperity & Sustainability	Economy and Skills OSC	3% Turnover factor (Vacancy management)	(666)	(666)
Place, Prosperity & Sustainability	Economy and Skills OSC	Review all £5-10k leases – with a view to optimising lease income.	(150)	(150)
		<b>TOTAL</b>	<b>(816)</b>	<b>(816)</b>
Corporate Items	Economy and Skills OSC	B/F_Corporate Landlord (Efficiencies in Asset Management through Consolidation and Rationalisation of Council Assets/ Buildings)	(500)	(500)
Place, Prosperity & Sustainability	Economy and Skills OSC	B/F_CAB Premises - excluding Council House. Reduced costs associated with Council Admin Buildings	(1,314)	(1,314)
Place, Prosperity & Sustainability	Economy and Skills OSC	CAB Premises - excluding Council House. Reduced costs associated with Council Admin Buildings	(2,431)	(2,431)
Place, Prosperity & Sustainability	Economy and Skills OSC	Commercial Property - Active Investment Additional income through investment in Public Works Loan Board (PWLb) compliant commercial property	(2,250)	(2,250)
Place, Prosperity & Sustainability	Economy and Skills OSC	Commercial Property - Blended Approach Investment and Lease Events Additional income generated through a combination of lease reviews and investment	(2,500)	(2,500)
		<b>TOTAL</b>	<b>(8,995)</b>	<b>(8,995)</b>

## Narrative for 23/24 in-year Non-Delivery

### Economy & Skills OSC

Dir	Summary Description	2023/24 (Saving) £'000	Explanation
PPS	<b>Corporate Landlord</b> (Efficiencies in Asset Management through Consolidation and Rationalisation of Council Assets/ Buildings)	(500)	Work is progressing through a strategic partner however the consolidation of asset related budgets, implementation of a new corporate landlord structure and the asset rationalisation necessary to deliver savings is taking much longer than anticipated.
PPS	<b>CAB Premises -</b> excluding Council House. Reduced costs associated with Council Admin Buildings	(3,745)	Not deliverable in this year savings. Future occupational needs of the office premises of the Council's workforce was not fully determined. Therefore the savings assuming the disposal of the Council owned buildings has not been made. The detailed rationale and reason for this is explained in the supporting paper presented to CLT in August 23.
PPS	<b>Commercial Property -</b> Active Investment Additional income through investment in Public Works Loan Board (PWLB) compliant commercial property	(2,250)	These values were predicated on acquisitions and generating income over 6 months the shift in borrowing costs versus income generation means this no longer stacks up. This has been a consistent picture across the year and therefore this is commercially unachievable. In addition, PWB rules have also tightened across the past 12 months meaning acquisitions for purely investment returns is no longer compliant.
PPS	<b>Commercial Property -</b> Blended Approach Investment and Lease Events Additional income generated through a combination of lease reviews and investment	(2,500)	These values were predicated on acquisitions and generating income over 6 months the shift in borrowing costs versus income generation means this no longer stacks up. This has been a consistent picture across the year and therefore this is commercially unachievable. In addition, PWB rules have also tightened across the past 12 months meaning acquisitions for purely investment returns is no longer compliant.

### Caveats:

- Many targets fit into multiple O&S portfolio, such as Fees & Charges, vacancy factor, thus for simplicity we have allocated to the O&S Committee where most of the target is more likely to fall.
- Some services also fall into more than one O&S portfolio – we have allocated the full target for these to the committee of higher alignment rather than split amounts.
- The total savings that need to be delivered in the 23/24 financial year may increase. Finance is currently working to close the 22/23 financial year accounts – this includes final assessment of savings delivery for the last financial year. Any further undelivered savings in 22/23 will need to be brought forward and found in 23/24 thereby increasing the overall target for 23/24.

### Criteria for determining the RAG status of savings

Assessment Criteria	Delivered	Low Risk	Medium Risk	High Risk	Potential Write-Off
<b>Savings RAG</b>	Saving or income realised and evidence provided that costs have been reduced or income increased.	Saving or income detail documented and robust plan in place to deliver agreed targets, showing when and who is responsible. - and / or - Saving / income will be delivered within agreed timeframes.	Saving or income lacks some clarity and / or not detailed at an adequately granular level, or at risk, <b>but agreed plan in place to resolve and being actively managed.</b> - and / or - Some risk of not delivering saving within agreed timeframe, leading to cost of slippage.	Limited confidence in agreed saving / income being delivered - and / or - Saving / income unclear and / or not specified at adequate granular level. - and / or - Inadequate plan / no plan agreed. - and / or - <i>Saving not yet agreed by Directorate / Service Manager</i> - and / or - Major risk of not delivering saving / income within agreed timeframe, leading to cost of slippage.	Agreed saving cannot be delivered. - and / or - Alternative saving options to be identified. - and / or - CLT should consider writing off the agreed saving.
Headcount Example	Officer has departed, budget has been reduced and posts have been deleted from the approved establishment.	Timescales and the specific posts to be vacated / deleted have been agreed.	Budget Manager has confirmed that posts (to agreed value and timing) will be vacated and deleted from budget.	Headcount saving proposed, but no clarity RE timescales/ posts.	Headcount reduction is considered unachievable.