

North Yorkshire County Council

18 July 2012

**Statement of the Financial Services Portfolio Holder
(Financial Services including Assets, IT and Procurement)****County Councillor John Watson OBE****The Council's performance against budget for 2011/12**

The headline figure is an underspend, or additional savings, of £27m compared to budget. This is over and above the £37m savings requirement already built into the budget. This is a very strong financial performance with all Directorates coming in well within budget after delivering all their required savings on target. Over £18m of this additional saving was against the base budget with the remaining £9m being on funds such as the Pending Issues Provision (PIP), that were set up to pay for specific projects on a multi year basis.

£23m of the savings are being carried forward to 2012/13, because they are earmarked for specific projects or are needed to finance service needs and other known commitments. The remaining £4m has been paid into the Council's General Working balance and will be used to help out potential problems in future years. This extra money saved in 2011/12 will be of crucial importance going into the challenging years that lie ahead.

Financial prospects for 2012/13 and beyond

For the current financial year a balanced budget was agreed in February and reflected a savings requirement of over £15m. The first quarter's performance will be reported to the Executive in August and there are no immediate concerns at this stage.

Beyond 2012/13, however, the financial future is uncertain and potentially troubling. We do not know the level of the Government's grant funding settlement – although initial indications are that it will be very tough. It will certainly be affected also by the localisation of Business Rates and by changes to Council Tax Benefits from April 2013. Also will the Government encourage another council tax freeze? Pressures on spending from demographic changes and the introduction of new statutory duties are likely also to be greater than we have anticipated.

Faced with a £27m "underspend", it is politically tempting to start releasing it for programmes that are both necessary and popular. To some extent (as with the extra £2m allocated for pothole repairs) this has indeed been done but I would strongly advise against going any further. All the noises from Whitehall indicate that the Government will continue to give Local Authorities a very hard time. We must consider ourselves fortunate that our finances are very robust.

One Council

Since my report to the last Council, the Executive has considered an update on the progress made against all workstreams including a decision to change the savings requirements allocated against the workstreams, whilst still keeping the overall total of £7.6m, consistent with meeting the funding gap for 2013/14 to 2014/15 identified at the time the One Council programme was launched.

Procurement and Contract Management Workstream

The savings requirement for this workstream has increased from £2.5m to £3m.

Work is progressing to appoint a new procurement services partner from November 2012. Following the first stage of the process we have a strong shortlist, and we have just entered the tendering period.

The new management arrangements have now been implemented and are settling in well. Work continues on considering a business case for the introduction of a Procure to Pay system.

Financial Management Workstream

The savings requirement for this workstream has increased from £175k to £300k.

The Workstream has developed a Service Guarantee (SG) as the main tool for achieving a consistent and reduced level of financial support to budget managers without damage to the financial standing of the Council. The SG assesses all budgets across the council and allocates a level of support to them based on complexity and risk and an appropriate level of self-service from budget managers.

It will however be supported by enhanced IT systems enabling more efficient reporting and analysis. A further benefit of the workstream will be to ensure consistent budget reporting and management hierarchies across the council.

Property Workstream:

The savings requirement for this workstream remains at £250k.

Good progress is being made with all Directorates in clarifying the roles and responsibilities of staff who have dealings with property. This will ensure that lines of communication around property activities are clear, that appropriately skilled staff are engaged in property processes in a timely manner and projects are effectively managed.

The programme of area reviews is underway with Scarborough being the first area. Information is being gathered, collated and analysed with proposals for the estate in Scarborough coming forward in early autumn. This will include an assessment of opportunities to work with other organisations.

Systems and Data Workstream

The savings requirement for this workstream has increased from £175k to £200k.

Work is ongoing to **review and rationalise applications** to save money on licence costs and supporting infrastructure. A review of 130 internally developed applications have been completed, with 38 being identified for decommissioning.

The number of **email accounts** has been rationalised, as has the way emails are stored and backed up, leading to a saving of £15k. Initial investigation into new approaches for **file management and storage technologies** are now complete, reducing costs by £30k.

The revised **Client Group** within ICT Services has now been established. Priorities are to review current contracts with third parties to ensure their cost effectiveness.

28 innovative ideas to **exploit current technology** have been collated, and work is underway on the top six to determine whether savings can be made.

NYnet

NYnet continues to perform satisfactorily. Sales this year will exceed £8 million. The work of the company will, of course, change substantially following the successful conclusion of the recent BDUK bidding process. NYnet will, in effect, become the Council's agent for managing the new broadband delivery contract and ensuring a good performance from the winning contractor. I should report that David Cullen, the company's Chief Executive since its formation five years ago, has now left the company and has been replaced on an interim basis by Scott Walters. We wish David well for the future.

YPO

Following a strong performance in 2011, when YPO's sales reached £108 million and a profit of £8.6 million was achieved, the organisation has also made a strong start in 2012. To the end of May sales were £52.5 million, 11% ahead of budget, and another strong profit performance is in prospect.

The Credit Union

The position at the York and North Yorkshire Credit Union has been causing concern. The Council agreed last month to renew its £200k subordinated loan to the Union and we have been requested to provide a further loan in order to meet the standards now being set by the Financial Services Authority. Together with City of York Council and the Borough and District Councils, we are now considering our response to that request.

Hosted email for Schools using Microsoft's Live@edu

During 2011, Schools ICT undertook a significant exercise to migrate North Yorkshire schools to a new hosted email platform, Microsoft's Live@edu, designed specifically for schools and educational settings. This is free to schools, and offers capability for students and school staff to store documents "in the cloud", therefore ensuring work is accessible both in school and at home.

With Live@edu, students and school staff are benefitting from access to email and the ability to access and share documents, contacts and calendars on any device.

Excellent feedback has been received from schools, and this is one of a range of technology projects delivering a total of £470K savings per annum.

John Watson
4 July 2012