

## **LG Group Business Plan, Budget and Workforce Priorities 2011/12**

### **Purpose of report**

For decision.

### **Summary**

This paper updates members on the LG Group business plan and budget for 2011/12. It also presents a review of performance against the Group's workforce programme plan for the 2010/11 financial year.

The 2011/12 strategy and business plan, programme plans and budget for the LG Group will be presented for final approval to the next meeting of the LG Group Executive.

### **Recommendations**

Members:

- Note the update on the Group business plan and budget for 2011/12; and
- Review performance against the 2010/11 workforce programme plan.

### **Action**

The final LG Group strategy, business and programme plans along with the final budget for 2011/12 to be presented to the next meeting of this Board.

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## **LG Group Business Plan, Budget and Workforce Priorities 2011/12**

### **Background**

1. At its meeting in January, Executive agreed the LG Group's strategy and business plan for 2011/12, building on the priorities in the RSG prospectus and setting out a radically re-focused offer of support to councils with significantly reduced funding.
2. A preliminary budget for the LG Group for 2011/12 has now been developed as part of the business planning process, to ensure that resources are allocated to enable LG Group to deliver the agreed strategy and business priorities. This preliminary budget is being presented to the individual company boards of the organisations in the LG Group to provide LG Group managers with a "licence to operate" from April.
3. The LG Group budget will be finalised over the coming weeks, once the outcome of the work currently in progress to achieve a substantial reduction in employee numbers across the Group has been assessed and in particular the transition costs of moving to the new structure can be accurately determined. As part of the same process, the more detailed programme plans underpinning the 2011/12 business plan will also be finalised.
4. The aim is for the Group business plan and budget to reflect the integrated approach to managing LG Group that is being developed through the *Getting Closer* programme. Given that the company structure of the central bodies is being retained, there is still a need for business plans and budgets to be drawn up for the individual organisations in the LG Group for governance purposes, to demonstrate clear accountability to the individual company boards and the LGA Resources Panel. These individual business plans and budgets are in effect sub-sets of the Group business plan and budget.
5. The 2011/12 budget for the Group, allocated across the individual organisations comprising the LG Group, will be presented for final approval to the next meeting of the Executive in May and also the individual company boards, along with the final strategy and business plan for 2011/12. The LG Group's Communications strategy will also be confirmed at that point.

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**LG Group Business Plan 2011/12**

6. As part of the *Getting Closer* change programme, since 2009/10 the Executive has established one set of politically directed priorities in an annual business plan for the LG Group. This is central to achieving the core objectives of *Getting Closer* agreed by members in 2009:
  - 6.1 Councils should have more influence over LG Group priorities and feel more connected;
  - 6.2 Strong, co-ordinated political direction of the Group, to ensure priorities are based on the changing needs of councils and that resources across the Group are allocated to these priorities;
  - 6.3 Better coordination and elimination of duplication across the Group, to deliver greater value for money to councils.
7. At its meeting in January, Executive agreed the strategy and business plan for LG Group. This was also presented to the January meeting of this Board and is attached at **Annex 1** for ease of reference. The new organisational arrangements for the Group, which have been consulted on with employees and which were presented to Executive in December and March, are designed to deliver this strategy, taking account also of the significantly reduced funding base of the LG Group. The Group business plan provides the basis for our internal communication on the vision for the LG Group and the rationale for the changes, as summarised in the attachment at **Annex 2**.
8. Since January, work has been underway with members to develop the programme plans that will enable us to deliver the priorities in the business plan. Discussions on the key policy and improvement priorities for the year ahead have been held with members at each of the programme boards.
9. Members of this Board agreed the workforce programme plan priorities for 2011/12 at the January meeting. This is attached at **Annex 3** for ease of reference and is structured around three main outcomes reflecting the RSG prospectus, as follows:
  - 9.1 Councils are helped to develop a productive, flexible, skilled and appropriately structured workforce;
  - 9.2 Councils are supported by an affordable and flexible pay, reward and conditions system;
  - 9.3 Councils are supported to work jointly with other employers within a place to deliver better services and achieve value for money for local citizens.

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10. Work has also been underway on a number of other priorities identified in the business plan, including the key improvement offers underpinning our approach to supporting sector self-regulation and a number of important cross-cutting themes, including Local Government Finance and Devolution and Decentralisation.

**LG Group Budget 2011/12**

11. At LG Group level, a preliminary budget has been developed to ensure that the new organisational structure is sustainable based on our funding streams, and also to test that there are sufficient resources to deliver the priorities set out in the 2011/12 business plan.
12. This preliminary budget is based on the following assumptions:
  - 12.1 A 13% reduction in subscriptions for the LGA;
  - 12.2 A 21% reduction in RSG, reflecting total RSG of £32.5m for 2011/12, allocated to the individual companies in proportion to the current spread of RSG;
  - 12.3 The detailed salaries costings of the proposed structure;
  - 12.4 Detailed modelling of overheads for the Group, with substantial efficiencies targeted;
  - 12.5 Provision for £3.4m of additional pension contributions across the Group;
  - 12.6 Non-pay budgets for each company determined as the balancing figure after taking into account salaries costs and overheads.

**Next steps**

13. The following further work is currently underway to inform the final strategy and business plan and programme plans for the Group, along with the budget for 2011/12. These will be presented to Executive and the individual company boards in May /June:
  - 13.1 Once appointments are made to the new organisational structure in April we will be able to determine the allocation of staff costs company by company, enabling us to confirm the budgets for the individual organisations in LG Group.
  - 13.2 This will also enable us to determine exactly the overall transition and redundancy costs for the Group as a whole and for the individual organisations.

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- 13.3 Final agreement on the level of funding for the three top-slice bodies outside LG Group which formerly received RSG top-slice will have been reached. Here, it has been suggested that 2011/12 funding levels should be around 50% of previous amounts. The three bodies – National Foundation for Educational Research (NFER), the National Institute of Adult Continuing Education (NIACE) and the National Youth Agency (NYA) - are developing proposals for the work that they would do for the Group on that basis, and it appears at present that agreement of that funding level is likely to be regarded as satisfactory to the Children and Young People's Board, who act as the main customer of the work on behalf of the Group. This work is now well advanced, and it appears likely that in overall terms good value and tighter control over what work is done will be achieved.
- 13.4 A number of negotiations for significant grant-funded programmes for 2011/12 have yet to be finalised, in particular for improvement support for children's and adults services. The outcome of these discussions is likely to be known when the final budget is presented in May when all grant-funded programmes will be included in the budget. So far the following grant-funded programmes have been confirmed for 2011/12:
- The Ageing Well programme - £1.5m
  - The Healthy Communities programme - £1.0m
  - The Planning Advisory Service - £ £3m
- 13.5 Detailed work is also underway on the appropriate non-pay allocation required to deliver the Group's strategy and business priorities as set out in the business plan, taking into account the priorities identified by the LG Group's Programme Boards.

**Current year's progress**

14. At the January meeting of this Board, members also considered mid-year performance against the 2010/11 year's workforce programme plan. An updated summary is now presented at **Annex 4** showing performance as at end of year.