Meeting: **Cabinet**

Date/Time: **Tuesday, 13 December 2016 at 2.00 pm**

Location: **Sparkenhoe Committee Room, County Hall, Glenfield**

Contact: **Mr. M. Hand (Tel. 0116 305 6038)**

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Membership

Mr. N. J. Rushton CC (Chairman)

Mr. R. Blunt CC	Mr. B. L. Pain CC
Mr. Dave Houseman MBE, CC	Mrs. P. Posnett CC
Mr. J. T. Orson JP CC	Mr. J. B. Rhodes CC
Mr. P. C. Osborne CC	Mr. E. F. White CC
Mr. I. D. Ould CC	

A G E N D A SUPPLEMENT

Supplementary Report - Agenda Item 4 – Medium Term Financial Strategy 2017/18 – 2020/21

Item		Report by	
4.	Medium Term Financial Strategy 2017/18 - 2020/21.	Director of Corporate Resources	(Pages 3 - 52)

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Leicestershire County Council

CABINET – 13 DECEMBER 2016

PROVISIONAL MEDIUM TERM FINANCIAL STRATEGY 2017/18 - 2020/21

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. This report sets out the proposed Medium Term Financial Strategy (MTFS) for 2017/18 to 2020/21, for consultation and scrutiny.

Recommendation

2. It is recommended that:

   (a) The proposed MTFS, including the 2017/18 revenue budget and capital programme, be approved for consultation and referred for consideration to the Overview and Scrutiny Committees and the Scrutiny Commission;

   (b) The Director of Finance, following consultation with the Cabinet Lead Member for Resources, be authorised to -

      i) agree a response to the draft Local Government Finance Settlement;

      ii) decide on the appropriate course of action for the Leicester and Leicestershire Business Rates Pool in 2017/18 subject to agreement by all member authorities; and

   (c) A further report is submitted to the Cabinet on 10th February 2017.

Reasons for Recommendation

3. To enable the County Council to meet its statutory requirements with respect to setting a budget and Council Tax precept for 2017/18 and to provide a basis for the planning of services over the next four years.

4. To ensure that the County Council's views on the Local Government Finance Settlement are made known to the Government.

5. Modelling of the Business Rates Pool with the Leicestershire district councils, Leicester City Council and the Leicester, Leicestershire and Rutland Combined Fire Authority is being undertaken and a decision on whether to proceed will need to be taken 28 days after the release of the draft Local Government Finance Settlement.

Timetable for Decisions (including Scrutiny)

6. The external consultation on the MTFS is open from 13th December 2016 until 10th January 2017. The MTFS will be considered by the County Council's Overview and Scrutiny bodies between 16th and 25th January 2017. The Cabinet will then consider the comments of the scrutiny bodies and responses from the wider consultation process at its meeting on 10th February 2017. The County Council will meet on 22nd February 2017 to consider the final MTFS.

Policy Framework and Previous Decisions

7. The MTFS is a rolling financial plan that is updated annually.

8. The County Council's Strategic Plan was agreed by the Cabinet in May 2014. This sets out the County Council's priorities and supports actions and targets up to 2018, aligning with the MTFS. The associated Transformation Programme was also agreed by the Cabinet in May 2014.

Legal Implications

9. The Director of Law and Governance has been consulted on this report.

Resource Implications

10. The MTFS is the key financial plan for the County Council.

11. The County Council is operating in an extremely challenging financial environment. Whilst the four year Settlement had already confirmed that this would continue over the course of the current Parliament the extension of austerity suggests that the UK is not yet halfway on the road to stability. The deepening financial crisis in the NHS, proposed funding reforms in Education and Local Government and the expected transfer of new responsibilities to the County Council suggest that the second half of this period of austerity is going to be much harder than the first.

12. Delivery of the MTFS requires savings of £68m to be made from 2017/18 to 2020/21. This MTFS sets out in detail £44m of savings and proposed reviews that will identify further savings to offset the £24m funding gap in 2020/21. Strong financial control, plans and discipline will be essential in the delivery of the MTFS.

13. To ensure that the MTFS is a credible financial plan unavoidable cost pressures have been included as growth. By 2020/21 this represents an investment of £25m, primarily to meet the forecast increase in demand for social care.

Circulation under the Local Issues Alert Procedure

14. A copy of this report has been circulated to all Members of the County Council under the Members' News in Brief Service.

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PART B

Autumn Statement 2016

15. On 23 November 2016 the Chancellor of the Exchequer delivered the Autumn Statement 2016. This was the first economic statement given by the Government since the vote to leave the European Union.

16. As had been widely expected the Government has abandoned its target for a budget surplus by 2019/20 and adopted a more flexible approach of returning "the public finances to balance at the earliest possible date in the next Parliament". This follows the deterioration in the forecast for public finance since the 2016 budget. This is primarily from a lower tax take, related to slower economic growth, but also from higher spending.

17. Despite the forecast deterioration spending plans have not been amended. There is a clear expectation that there will be further cuts when the Efficiency Review, announced in the 2016 budget, reports next autumn. It is unlikely that local government will receive preferential treatment, with the expectation that authorities can "manage the envelope of resource that they are given". Hence the assumption in the draft MTFS is that austerity will continue at the same rate.

18. The Government's policy on the National Living Wage (NLW) is unchanged, with the aim of reaching 60% of median earnings by 2020. However, the softening of pay forecasts has caused the expected NLW in 2020 to reduce from £9.16 per hour to £8.61. Hence the 4.2% increase announced that takes the NLW to £7.50 per hour was lower than had been previously indicated by the Low Pay Commission. The reduced level of NLW increase will have a positive impact on the MTFS through lower price inflation, particularly for social care contracts. This will be partially offset by the expected increase in general inflation following the fall in value of sterling.

19. Social Care was conspicuous by its absence in the Autumn Statement. More information may be forthcoming when the draft Local Government Finance Settlement is received in December. However, the consultation on the Settlement did not indicate that a consideration would be given to increasing resources and the financial projections for Council Tax contained in the Autumn Statement appear to confirm that the Adult Social Care (ASC) precept will remain at 2% until it ends in 2019/20. The draft MTFS assumptions reflect this constraint.

Local Government Finance Settlement

20. The draft Local Government Finance Settlement (the annual determination of funding to local government) has not yet been announced and is expected in early to mid-December 2016. If the details are available prior to the Cabinet meeting an update will be provided. The previous Settlement announced in December 2015 included the following key points:

- A four-year settlement starting 2016/17 for those authorities which accepted the multi-year offer. The County Council received confirmation in November that it is formally on the multi-year settlement.
- For the County Council the multi-year settlement offer only relates to Revenue Support Grant (RSG) and Transitional Grant. Funding for services received through specific grants and business rates is not included. This is a significant omission that covers in excess of £100m per annum of services delivered by the County Council. Examples of specific grants not covered include: High Needs funding (Dedicated Schools Grant), the Better Care Fund, Public Health Grant and all capital grants
- New methodology to allocate RSG reductions based on the level of retained business rates, RSG, Council Tax and by service tier, for example County, District, Unitary.
- Consultation on changes to the local government finance system "to rebalance support including to those authorities with social care responsibilities". The County Council has responded to a number of consultations over the Summer and Autumn 2016.
- Additional 2% adult social care precept (i.e. authorities with social care responsibilities would be able to raise Council Tax by another 2% above the 2% referendum limit) and guidance on how this additional funding must be reported to council taxpayers and the Department for Communities and Local Government (DCLG). The MTFS assumes this applies for the four-year settlement period only, to 2019/20.

<u>Revenue Support Grant and Spending Power</u>

21. The funding projections to 2019/20 in the previous Settlement are based around projections of RSG, Business Rates and Council Tax income. The focus has been placed on giving authorities in the same class (e.g. County, District, Unitary) the same overall changes to these elements of core funding. This means that those authorities where RSG is a lower proportion of their total funding will suffer larger reductions in RSG. This will lead to many authorities losing all of their RSG by 2019/20, with some having no RSG as early as 2017/18. Once RSG has been removed the DCLG proposes to adjust Business Rates Top-up /Tariff amounts to reduce an authority's funding to the appropriate level. Hence, as noted in paragraph 27 below, the County Council is due to lose £2.1m from its Top-Up in 2019/20. The MTFS assumes a further reduction to the Top-Up of £10.7m in 2020/21.

22. The inherent problem with the new methodology to setting funding is that it takes no account of the relative funding position of individual authorities. The County Council has been historically underfunded in comparison with other authorities, including other counties.

23. The overall impact of the 2016/17 Settlement on the forecast RSG is set out below. The County Council will cease to receive any RSG by 2019/20:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Revenue Support Grant	37.0	19.5	8.5	0.0	0.0
% reduction	-34%	-47%	-56%	-100%	n/a

24. The elements of core spending power from the previous Settlement are shown below:

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Settlement Funding Assessment (RSG and Business Rates)	115.9	93.6	77.3	68.0	59.2
Council Tax*	233.4	241.0	250.0	259.7	269.9
2% Council Tax for Social Care		4.7	9.9	15.6	21.8
Improved Better Care Fund	0.0	0.0	0.0	5.6	11.4
New Homes Bonus	3.3	4.3	4.3	2.7	2.6
Core Spending Power	352.6	343.6	341.5	351.6	364.9

*DCLG forecasts of Council tax and Council tax base increases, which are lower than those used by the County Council.

25. The table shows that after reductions for a couple of years, ‘core spending power’ is expected to increase in cash terms by £12.3m (3.5%) by 2019/20. This compares to demand and cost pressures in social care, for adults and children, of circa £50m over the same period.

Business Rates Retention Scheme

26. The previous Settlement issued by the Government in February 2016 includes an uplift to Business Rates “Top-Up” and “Baseline” figures of 2.0% in 2017/18. The baseline is the County Council’s share (9%) of business rates generated locally and the top-up is allocated to the County Council to compensate for the small baseline allocation. The proposed MTFS includes an assumption that the Baseline and Top-Up will increase by around 3% in 2018/19 and 2019/20 and by 2% in 2020/21.

27. The previous Settlement showed a reduction to the “Top-Up” of £2.1m in 2019/20. This relates to the impact of the new method of calculating “Core Spending Power” reductions. The reduction to the County Council’s overall funding in 2019/20 exceeds the remaining RSG in 2018/19 and the Government consequently will adjust the Top-Up for 2019/20. As noted in paragraph 21 above, it is anticipated that a further reduction of around £10.7m will be applied to the Top-Up in 2020/21 to reflect the continuation of austerity.

28. The forecasts used in the draft MTFS are set out below:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Business Rates 'Top-Up'	37.5	38.6	39.7	40.5
'Top-Up' adjustment	0.0	0.0	-2.1	-12.8
Business Rates 'Baseline'*	20.7	21.3	22.0	22.5
S31 grants - Business Rates	1.5	1.5	1.5	1.5
Total	59.7	61.4	61.1	51.7

*Business Rates Baseline is forecast to be £0.4m higher than the amount used by DCLG in calculating the 'spending power'.

Business Rates Pooling

29. The Government introduced the Business Rates Retention system from April 2013 and as part of these changes local authorities were able to enter into Pools for levy and safety net purposes.

30. In 2016/17 the County Council along with Leicester City Council, the Combined Fire Authority and all seven Leicestershire district councils form the 'Leicester and Leicestershire Pool'. The latest estimates for the Pool show a potential surplus of £4.3m. This will be retained locally rather than being returned to the Government as would have been the case if no Pool had existed. The current pooling agreement between the partners allows the surplus to be provided to the Leicester Leicestershire Economic Partnership (LLEP) for investment in the wider sub-regional area. Consideration is being given to amending the pooling agreement to allocate any surpluses to the proposed Leicester and Leicestershire Combined Authority, which would become the decision-making body for the allocation of surpluses.

31. Modelling of the Pool for 2017/18 is being undertaken and a decision on whether to continue with the Pool will be taken by the partners in early January 2017.

100% Business Rate Retention

32. The DCLG consulted in the autumn on changes to the local government finance system to pave the way for the implementation of 100% business rates retention, from 2020. The consultation was very broad and gave little indication of how a future system would work.

33. Part of the DCLG's consultation explored potential new responsibilities that could be devolved, in recognition that local authorities would be a net beneficiary if 100% of rates were retained. The most significant suggestion was for the transfer of the responsibility for the administration of Attendance Allowance to local authorities, although no details of how this would work were provided. The allowance is a non-means tested benefit to support people over 65 who need help to look after themselves. Nationally the benefit is claimed by nearly 1.8 million people and costs around £5.4bn a year, so this would have a significant impact upon the County Council.

Council Tax

34. The draft MTFS is based on a 3.99% per annum increase in Council Tax for the years 2017/18 to 2019/20, including implementation of the 2% adult social care precept in each year. An increase of 1.99% is assumed regarding 2020/21, when there is uncertainty about the ability to raise the adult social care precept. Over the next four years a total of £55m in extra Council Tax is expected to be generated.

35. The Localism Act 2011 provides for residents to instigate local referendums on any local issue and the power to veto excessive Council Tax increases. The Government has indicated that the threshold for calling a referendum in 2017/18 will be a 2% rise in Council Tax.

36. The Chancellor announced, as part of the 2015 Spending Review, that local authorities responsible for delivering adult social care would be allowed to raise a council tax "precept" of 2% for each year of the Spending Review period to partially fund adult social care. This will be in addition to the current council tax referendum threshold and is "to be used entirely for adult social care".

37. The proposed MTFS includes an assumption that the tax base will grow by around 1.5% each year. Final Council Tax base figures for 2017/18 will be provided by the district councils in January 2017 and will be reflected in the report to the Cabinet on 10th February 2017.

38. The district councils are providing quarterly monitoring information on the forecast Collection Funds surplus/deficit. At the end of September 2016 a surplus of around £5m for the County Council has been reported and this income is reflected in the 2017/18 budget. Formal estimates for the surplus/deficit will be received in January 2017 and the Council will work with the district councils to ensure that estimates are more accurate than they have been in the past.

Localisation of Council Tax Support (LCTS)

39. The Government reformed the national Council Tax Benefit (CTB) scheme, abolishing Council Tax Benefit from 1 April 2013 and replacing it with a grant (incorporated within Settlement funding). The district councils operate the scheme with a cap on the maximum of Council Tax that recipients will pay. The caps range between 12% and 15%.

40. The district councils have undertaken a consultation on proposed changes to the LCTS schemes over Summer 2016. The decisions of the Councils are not yet known. If all areas implemented a 20% cap, in line with the City Council, this could raise Council Tax for the County Council by circa £0.5m. This level of additional Council Tax income has been included within the draft MTFS. If district councils do not increase the cap, which based upon current information seems likely, offsetting savings will need to be made.

41. The County Council contributes £125,000 per annum to the district councils for administration of the scheme and £100,000 per annum to a county wide local discretionary Council Tax ‘hardship’ fund to reduce Council Tax bills for qualifying claimants on a case-by-case basis.

2017/18- 2020/21 Budget

42. The provisional detailed four-year MTFS, excluding Dedicated Schools Grant (DSG), is set out in Appendix A and is summarised in the table below. The provisional 2017/18 budget excluding DSG is detailed in Appendix B.

Provisional Budget	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**
Services including inflation	332.2	338.6	342.2	357.3
Add growth	4.5	6.5	8.0	6.1
Less savings	-16.2	-14.5	-5.2	-3.4
	320.5	330.6	345.0	360.0
Central Items	27.8	25.3	19.0	18.9
Less savings	-0.1	-3.6	-0.1	0.0
Contribution from earmarked funds	-1.0	-1.0	-1.0	0.0
Total Expenditure	**347.2**	**351.3**	**362.9**	**378.9**
Funding				
Revenue Support Grant	-19.5	-8.5	0.0	0.0
Business Rates	-59.7	-61.4	-61.1	-51.7
Council Tax*	-268.0	-278.6	-293.0	-303.3
Total Funding	**-347.2**	**-348.5**	**-354.1**	**-355.0**
Shortfall	**0.0**	**-2.8**	**-8.8**	**-23.9**

*includes £0.5m saving

43. The MTFS is balanced in 2017/18 and shows shortfalls of £2.8m in 2018/19 rising to £23.9m in 2020/21. As set out in paragraph 49 there is a range of initiatives currently being developed that will aim to bridge the gap. These will need to start to deliver savings by 2018/19. In addition, Better Care Fund resources are potentially available from 2018/19.

Savings and Transformation

44. Savings of £43.6m are forecast to be made over the next four years, 2017-21, with £16.8m to be made in 2017/18. This is a challenging task especially given that savings of £161m have already been delivered over the last seven years. The new savings are shown in Appendix C and further detail of all savings will be set out in the reports to the Overview and Scrutiny Committees in January.

45. The main four-year savings are:

- Children and Family Services (£8.1m). This includes reducing costs for social care placements, managing demand and reviewing early help and prevention services.
- Adults and Communities (£11m). This includes managing demand and reducing costs of social care by reviewing personal budget allocations and contracts.
- Public Health (£2.3m). This includes savings from reviewing early help and prevention services.
- Highways and Transportation (£8m). Savings will delivered through a revised approach to Highways Maintenance, reviewing contracts, service reviews and by making savings from the continued roll-out of the LED street lighting.
- Environment (£3.2m). Service delivery reviews for Recycling and Household Waste Sites and a revised payment mechanism for recycling credits are planned.
- Chief Executive (£1.1m). This includes service reviews and seeking to achieve increased income.
- Corporate Resources (£5.6m). This includes reviews of all support services e.g. Property, Traded Services, ICT, Human Resources and Finance and an increased contribution from Commercial Services.
- Central Items (£4.3m). This includes savings from the Minimum Revenue Provision and the review of the Local Council Tax Support Scheme.

46. Efficiency savings account for £31m and can be grouped into four main types*:*

a) Reductions in senior management and administration (£3m)
b) Better commissioning and procurement (£12m)
c) Service re-design (£12m)
d) Other (£4m)

47. It is estimated that the proposals would lead to a reduction of up to 400 posts (full time equivalents) over the four-year period. However, it is expected that the number of compulsory redundancies will be lower, given the scope to manage the position over the period through staff turnover and vacancy control.

48. Further savings will be required to close the budget shortfall of £2.8m in 2018/19 rising to £23.9m in 2020/21.

49. To help bridge the gap a number of initiatives are under development to generate further savings. Once business cases have been completed savings will be confirmed and included in a future MTFS. The initiatives are:

- Review of the County Council's role in running schools.
- Disabled Children's Respite Care – review of service models.
- Education of Children in Care - review current service model and offer.
- Lower cost adult social care provision – review of different models.

- Whole life disability – consider options to deliver fully integrated care pathways.
- Promoting independence in the home for high dependency service users.
- Social Care and SEN Transport – review of initiatives to reduce spend and offset growth pressures.
- Increased revenues from Asset Investments – from new investments.
- Integrated ICT Systems – review common systems and increase joint working with partners.
- Review Structures and Delivery Models - review the Target Operating Model and the balance between externally provided and in-house services.
- Proactively Manage Demand - manage customer expectations for council services.
- Commercialism – review of new opportunities and consider alternative delivery models.
- Commissioning and Procurement – develop an improved more targeted approach.
- People and Performance Management – further improving performance and productivity.
- Digital Services - help people do things for themselves.
- Property Initiatives – maximise the use of buildings and reduce costs of accommodation and/or realise capital receipts.

50. The development and ultimately the achievement of these savings will be extremely challenging and will require focus, discipline and innovation. The Transformation Programme will continue to have a key role in supporting the delivery of these savings. Further information is provided in Appendix D.

51. The County Council, in 2014, commissioned EY (formerly Ernst & Young) to produce a strategic financial review to explore the implications of establishing a unitary authority, in place of the current two-tier (County and Districts) system in Leicestershire. The review suggested that an annual saving of £31m could be achieved and re-invested in front line services. Given the scale of the financial challenge facing the County Council and changes in Government policy this remains a potential source of significant savings to be noted.

Transforming the Way We Work

52. The Transformation Programme was first agreed by the Cabinet in May 2014 and has since been updated to meet the changing requirements of the MTFS, new organisational priorities and an increased focus on cross-cutting corporate reviews.

53. £24.6m was saved through the Transformation Programme in 2015/16. The programme has since been refreshed and as at October 2016, there are further expected savings of £34.7m for the four year period. This will be further affected by the MTFS refresh to 2020/21.

54. The Programme is now structured by category with projects falling under the heading of ‘emerging’, ‘in-delivery’ or ‘closed’ depending on the stage of the project lifecycle the activity is at. This enables appropriate governance and challenge at the various stages of the project and ensures that the programme is fluid and can easily adapt to incorporate new projects that may emerge as a result of the MTFS refresh, or new emerging priorities. An update on the progress of the Programme is considered regularly by the member Transformation Board.

55. The Programme has previously consisted of a number of organisational enablers that have successfully delivered outcomes including the County Hall Masterplan which resulted in the delivery of circa £0.8m savings as well as supporting greater partnership working through relocating NHS bodies into County Hall.

56. The Customer and Communities enabler sets out a new approach to working with Leicestershire communities in order to help them support themselves, to work in partnership to design and deliver services and to develop the voluntary and community sector as effective providers in a diverse market. This enabler also supports community groups in developing business cases to enable them to take on the running of community libraries.

57. The enablers have delivered a number of key achievements as part of the Programme, and as a result it was appropriate for them to transition over to the relevant areas of the business. The refresh now focuses on further development of a number of previously identified cross-cutting priorities, along with some new areas of focus.

58. Cross-cutting activity is complex. However, it has the potential to deliver the biggest organisational benefits and is transformative by its nature. These cross-cutting priorities are at various stages in their development and they may be further influenced through the development of a single outcomes framework. However, three critical areas that have been prioritised are: commissioning, commercialisation and performance management.

59. A range of measures is being considered with the aim of improving the County Council’s approach to commissioning and procurement. These measures should allow resources to be targeted where they will have the biggest potential impact and ensure that the most appropriate mechanisms are used, leading to lower cost services. Proposals that are currently being developed include more integrated ways of working, making greater use of community provision, strengthening the County Council’s contract management arrangements, and exploring the potential consolidation of some internal functions.

60. The County Council’s approach to commercialism aims to make a contribution by generating income, reducing costs and improving productivity and efficiency. This will be achieved by adopting new ways of working, a more business-like approach to service delivery and consideration as to how the County Council will further develop trading and income generation. A commercial approach is already underway within the Corporate Resources Department, having brought together services into a commercial business unit. This has been underpinned

by the creation of the Leicestershire Traded Services (LTS) brand and supported through the development of LTS online. Discussions are now underway as to how this approach can be expanded across the County Council.

61. To support the achievement of outcomes in the areas of commissioning and commercialisation, it is necessary to align the people and performance management agenda to ensure organisational readiness to operate in new and commercial ways. As such, consideration is being given to the County Council's approach to performance management with an increased focus on productivity, to develop new competencies amongst staff to operate differently and to reduce the cost of delivery through new and efficient ways of working.

62. In addition to the cross-cutting work outlined above, departments continue to deliver a range of projects within the corporate Transformation Programme that support the achievement of the MTFS. The programme continues to be led and supported by the Transformation Unit with significant input from Finance officers.

Growth

63. Over the period of the MTFS, growth of £25.1m is required to meet demand and cost pressures with £4.5m required in 2017/18. The main elements of growth are:
    - Children and Family Services (£3.9m). This is mainly due to pressures on the placements budget from additional service users.
    - Adult Social Care (£13.3m). This is largely the result of increasing numbers of people with learning disabilities and an ageing population with increasing care needs.
    - Highways and Transportation. Growth of £2.9m for Special Educational Needs (SEN) Transport is offset by the removal of 2016/17 time-limited growth for highways maintenance (-£3m) and SEN Transport (-£0.7m).
    - Environment (£2.7m), which is mainly attributable to Landfill Tax and projected increases in household waste due to population and economic growth.
    - Corporate Growth (£3m). This has been included to act as a contingency for potential further cost pressures on children's and adult's social care budgets.

64. Details of proposed growth to meet spending pressures are shown in Appendix E to this report.

Inflation

65. The Government's preferred measure of inflation is the Consumer Price Index (CPI). In October 2016 this was 0.9% and the Office for Budget Responsibility (OBR) predicts it will increase to around 2.3% in 2017/18 and to 2.5% in 2018/19 before reducing to 2.1% in 2019/20 and 2.0% in 2020/21. The OBR predicts that the Retail Prices Index (RPI) will increase from its current level of 2.0% to around 3.2% in 2017/18 and to 3.5% in 2018/19 and then reduce to 3.2% in 2019/20 and 3.1% in 2020/21. The draft MTFS assumes 3% per annum inflation over the period 2017/18 to 2020/21. However, the Council's cost base does not always

reflect these household inflation measures, for example energy and fuel increases have a much more significant impact on its procurement. More recently social care costs have been driven up by the introduction of the National Living Wage, for which an additional provision has been made.

66. The most recent pay settlement, for local government employees, was agreed to cover the two years 2016/17 and 2017/18. There are higher increases for the lowest pay points (to reflect the National Living Wage) and 1% per annum increases on the remaining pay points. Future levels of pay settlement will be determined by national negotiation between the Local Government Employers and the Trade Unions. A contingency of 2.0% has been included in the MTFS for pay awards from 2018/19 onwards.

67. The central inflation contingency includes provision for an increase in the employer's pension contributions subject to the results of the 2016 triennial actuarial revaluation of the Pension Fund. An increase of 1% has been assumed for each year of the MTFS.

68. The Government is introducing an Apprenticeship Levy from April 2017 and the inflation contingency provides £1m for the forecast impact of the Levy.

69. Although detailed service budgets for 2017/18 have been compiled on the basis of no pay or price increases, a central contingency for inflation will be held which will be allocated to services as necessary.

Central Items

70. Bank and other interest is budgeted at £1.6m in 2017/18 falling to £1.5m during the period of the MTFS. This reflects the expectation that Bank of England base rates will remain at a low level for the foreseeable future.

71. Capital financing costs are expected to decrease to £19.4m per annum in 2020/21 (from £24.1m in 2016/17) mainly as a result of the proposed change to the minimum revenue provision outlined below.

72. The budget includes time-limited provision for revenue funding of capital expenditure of £13.0m in 2017/18, £3.9m in 2018/19 and £0.8m in 2019/20 and 2020/21.

73. Capital financing costs include debt interest on loans outstanding and an amount set aside to repay debt principal on maturity, called the minimum revenue provision (MRP). The current policy is to charge MRP on borrowing supported by the Government at a rate of 4% per annum. This equates to approximately £10m per annum. The 4% relates to the rate at which the Government provided support to the Authority through RSG.

74. Following changes to the legislation governing MRP and the reductions in RSG it is no longer possible to demonstrate that Government support is maintained at 4% per annum. This allows the annual MRP charge to be rebased to a period more commensurate with the useful service life of the assets purchased.

75. A high level review shows that based on the average remaining economic life of assets held it is possible to revise the MRP calculation to circa 2.5% per annum which would reduce the MRP charge by circa £3.5m to around £6.5m per annum. It should be noted that a revised approach does not change the overall amount of MRP payable, the same amount is simply repaid over a longer period of time. A saving of £3.5m has been included in the MTFS from 2018/19.

Health and Social Care Integration

76. Health and Social Care Integration is a priority for both the County Council and the NHS. Developing effective ways to co-ordinate care and integrate services around the person is seen nationally and locally as key to improving outcomes and ensuring high quality and sustainable services for the future. The Government's expectation is that every part of the country has a plan for health and social care integration by 2017 to be implemented by 2020. Notwithstanding the absence of national guidance local opportunities to achieve the overall goal of integration continue to be pursued, recognising its importance to the people of Leicestershire. Initiatives being developed and/or implemented at this time include:

- Integrated Health and Social Care Locality Teams
- Help to Live at Home
- Integrated Point of Access
- Integrated Discharge.

77. April 2015 saw the launch of the Better Care Fund (BCF), a pooling of health and social care resources to support the provision of integrated services. The BCF Plan for Leicestershire was refreshed for 2016/17 and good progress continues to be made on delivering against its objectives.

78. Delivery of the BCF Plan has traditionally been based on 4 themes:

i) Unified prevention offer – bringing together preventative services across Leicestershire into one consistent offer, including housing expertise and carer support.

ii) Integrated, proactive care for those with long term conditions – to consolidate health and care teams in each locality, offer proactive case management to those people with complex conditions and/or over 75s and integrate care records, using the NHS number as the identifier.

iii) Integrated urgent response – the introduction of rapid response community services to avoid unnecessary hospital admissions.

iv) Hospital discharge and re-ablement – improving the timeliness and effectiveness of discharge pathways to reduce length of stay.

79. The BCF plan for 2017/18 is currently being prepared and the themed approach above is being reviewed as part of this process. The BCF plan next year will be

aligned to the key priorities of the Leicester, Leicestershire and Rutland (LLR) Sustainability and Transformation Plan (STP).

80. Detailed policy framework guidance for the BCF for 2017/18 has yet to be issued, but there has been confirmation by the Government that the BCF will continue for the foreseeable future and this was reinforced in the NHS planning guidance for 2017/18 – 2019/20 which was published in September 2016. NHS planning guidance reinforces the progression of the health and care integration agenda including via STPs which need to demonstrate how the new models of care proposed in the NHS Five Year Forward View will be accelerated and implemented.

81. For 2016/17, NHS England has committed to ring-fence nationally £3.5bn within its allocation to Clinical Commissioning Groups (CCGs) for the BCF. It has been assumed that Leicestershire's BCF allocation will remain unchanged at £39m for 2017/18 and budgets are being refreshed on this basis.

82. The 2015 Spending Review set out the Government's intention to increase social care funding through the BCF by £1.5bn from 2019/20. This should translate into an additional £11m of funding for the County Council. However, due to reductions in the New Homes Bonus and the additional £500m for Disabled Facilities Grants by 2019/20, the net benefit is significantly less. This funding has not been included in the proposed MTFS as no guidance has been provided by Government.

83. In advance of receipt of the national guidance, work has already commenced on refreshing Leicestershire's BCF plan in conjunction with health partners. Once received, the assumptions made in compiling the budget for the BCF will be revised accordingly.

84. Part of Leicestershire's BCF allocation has been allocated towards the protection of adult social care services. This is currently £17m and the same amount has been included in the budget for 2017/18 to ensure that the needs of the most vulnerable residents are met. Approximately £7m of additional BCF funding is earmarked for other social care components of the BCF plan. A reduction in any of this funding will increase the savings above the level proposed in the draft MTFS.

Sustainability and Transformation Plan (STP)

85. In the Leicester, Leicestershire and Rutland local health and social care economy, a funding gap of £400m, by 2020/21, has been identified if no action were to be taken on how current services are being delivered. This includes the current funding pressures faced by social care services, and the NHS together with anticipated increased demand and costs over the next 5 years.

86. The STP builds upon the Better Care Together (BCT) partnership programme and aims to address the way in which health and care services are delivered to meet the needs of the local people, while at the same time ensuring that the current financial pressures faced are effectively managed. The five year STP

sets out the most ambitious change for health and social care for LLR and was published in draft form in November 2016.

87. The five year plan has identified five key strands for change which taken together will help eliminate the combined financial gap by 2020/21 and contribute to closing the health and wellbeing and care and quality gaps. The five key strands include the development of:

- New models of care focused on prevention, and moderating demand growth, including place based integrated teams, a new model for primary care, effective and efficient planned care and an integrated urgent care offer.
- A reconfiguration of hospital based services, subject to consultation.
- Redesigned pathways to deliver improved outcomes for patients and residents.
- Operational efficiencies - to support financial sustainability.
- Getting the enablers right -including workforce; technology; estates; and health and social care commissioning integration.

88. As interventions are focussed towards prevention, avoided hospital admissions, a ‘home first’ model of care and greater integration across social care, community health care and primary care, it has been recognised that this will affect demand for social care support, public health interventions and community services.

89. The full implications of the strategy for the County Council need to be identified and addressed in order to manage the increased pressure on resources and to allow for planning to meet this additional demand. To date there are no additional Council funds identified to resource this. However, there is a commitment to ensure a system wide response, by all partners, to meeting changes in demand across the sector that may enable further funding transfers from the NHS to local authorities with social care responsibilities.

<u>Other Grants and Funds</u>

90. There are a number of other specific grants that are still to be announced, none of which are protected by the four-year settlement, for example:

- Public Health – a provisional 2017/18 allocation of £25.5m was announced in February 2016.
- Skills Funding Agency – £4m in 2016/17, no details have been received for 2017/18.
- Section 31 Business Rates (Government funding for 2% cap on business rates growth and other Government measures) – an estimate of £1.5m has been included in the MTFS.
- Independent Living Fund. The grant totalled £1.3m in previous years and this is expected to continue per DCLG indications earlier this year.
- Extended Rights to Free Travel – an estimate of £0.4m has been included.
- Ministry of Justice Grants – details not yet known.

- Education Support Grant – the Spending Review indicated a national £600m reduction in future years. The MTFS includes an estimate of £2.0 for 2017/18, but assumes that this grant will not be available for future years or be required to reflect revised local authority statutory duties.
- New Homes Bonus – remains for 2017/18, but forecast to reduce in line with the Government consultation.

Dedicated Schools Grant Settlement 2017/18

91. The Government's proposed changes to the Dedicated Schools Grant (DSG), including the introduction of a national funding formula for schools and a formulaic basis for the calculation of High Needs, have been postponed to 2018/19 with no indication as to what extent the consultation proposals will be adopted.

92. For 2017/18 DSG rates have not increased, meaning that the very low funding position for Leicestershire is maintained. A comparison of the combined Schools and High Needs Blocks reveals that Leicestershire per pupil funding of £4,867 is 12% lower than the national average and the third lowest of all local authorities.

93. As a result of the low funding the entire system is under pressure. In schools, expenditure is rising against cash flat funding. For High Needs the number of pupils and the cost of placements are rising at a faster rate than the available funding can accommodate.

94. The County Council has a statutory responsibility for providing support to individuals with special educational needs (SEN). The direct consequence of this is that if expenditure cannot be contained within the available grant then other resources will need to be diverted to fund the shortfall. For 2016/17 DSG earmarked funds are available to fund the forecast £2.9m overspend. Remaining earmarked funds are fully committed, meaning that this will not be possible for future years.

95. The table below shows the High Needs Block forecast for the current financial year and the draft budget for the following two years.

	2016/17 Forecast £'000s	2017/18 Draft Budget £'000s	2018/19 Draft Budget £'000s
Expenditure	63,666	67,384	67,758
DSG - High Needs grant*	-53,621	-62,740	-62,740
Estimated impact of new formula	0	0	1,000
Shortfall	**10,045**	**4,644**	**6,018**
2016/17 transfer from schools block*	-7,151		
2017/18 transfer from schools block		-3,000	-3,000
DSG Earmarked Fund	-2,894	0	0
Savings	**0**	**-1,644**	**-3,018**

* The basis for the grant changes for 2017/18 to include funding previously transferred from the Schools Block

96. The High Needs DSG is not expected to be sufficient to meet the financial commitments on it for both 2017/18 and 2018/19. In order to protect the local authority budget it is necessary to deliver savings of £1.6m rising to £3m in 2018/19. However, this is a minimum savings requirement and any further increase in demand will need compensating savings; with the DSG earmarked fund fully committed there is no further capacity to absorb costs.

97. The savings requirement outlined above assumes that the High Needs Block benefits from the full transfer of an estimated £3m headroom, from the school block, expected in the DSG settlement. This amount cannot be confirmed until delegated school budgets have been calculated in mid to late January 2017.

98. There are a number of unknowns within the financial projection. Based on previous trends it is assumed that growth of 2.9% per annum will occur, this is based on an average unit cost. It is also not possible to predict precisely the cash impact of the change in allocation methodology for the grant and it is expected that the next stage of the funding consultation will show the impact.

99. If the £3m transfer from the schools block and the required savings are not made or growth exceeds the estimate, it is likely that the County Council will need to transfer resources from other services to pay for SEN expenditure.

Early Years Block

100. The Department for Education (DfE) released its consultation response for early years funding at the start of December. This confirms the introduction of a national funding formula for local authorities and providers and the expansion of the Free Entitlement to Early Education (FEEE) for eligible 3 and 4 year olds.

101. The proposals are currently being reviewed to understand the implications for the County Council and local providers. The national policy for FEEE remains unchanged with an increase to 30 hours provision for eligible 3 and 4 year olds to be implemented in September 2017. An early years national funding formula will be implemented in 2017/18, although a range of transitional arrangements are proposed until 2019/20. The final settlement will not be confirmed until after the early years censuses in January 2017 and 2018.

Budget Consultation

102. Consultation will be undertaken on this draft MTFS, the results of which will be reported to the February Cabinet meeting. Comments on the proposals can be submitted by visiting the County Council's website (www.leicestershire.gov.uk) from 13th December 2016 until 10th January 2017.

Earmarked Funds and Contingency

103. The General County Fund balance is available for unforeseen risks (e.g. extreme flooding). The forecast balance on the General County Fund (non-earmarked fund) at the end of 2016/17 is £14.8m which represents 4.3% of the net budget (excluding schools' delegated budgets). To put the level of resources into context: with the exclusion of schools, the County Council spends nearly £50m a month. The current policy is to hold a balance on the General County Fund in the range of 4% - 5%.

104. The proposed MTFS also includes a contingency (£4m in 2017/18 and £8m in later years) for other specific key risks which include:

- The non-achievement of savings.
- Provision of services through the Better Care Fund, as there are risks around BCF funding in later years and the possible shift of costs.
- Uncertainties over the future levels of Government funding and grants, including the New Homes Bonus Grant and Better Care Fund.
- Pressure on demand led-budgets particularly in social care.
- Maintaining the level of investment required to deliver savings.

105. Other earmarked funds estimated at £72.5m (excluding schools' balances and partnerships) by March 2017 are held for specific purposes including insurance, change initiatives, severance costs, invest to save schemes and renewals of vehicles and equipment.

106. KPMG, our external auditors, have reviewed the level of earmarked and non-earmarked funds held by the County Council, as part of their Value for Money review of the 2016-20 MTFS. They reported that given the uncertainties and risks that lie ahead the overall level of earmarked and non-earmarked funds held is appropriate for the size of the organisation.

Concluding Comments

107. The Autumn Statement confirmed the widely expected continuation of austerity. There is little doubt that this will directly affect the County Council by increasing the funding reductions faced. Combining this with the deepening financial crisis in the NHS, proposed funding reforms in education and local government, and the expected transfer of new responsibilities to the County Council strongly suggest that the biggest challenges lie ahead.

108. The financial position of the County Council reflects the fact that income is simply not keeping up with demands on the budget. These demands primarily relate to both a growing and ageing population and a large increase in school age children which put huge demands on social care and SEN services.

109. The delivery of the MTFS will be challenging. Some local authorities, who are better funded than Leicestershire, are already in financial difficulties. The focus on Leicestershire's finances over the past few years, including taking tough decisions on service reductions, has put the Council in a relatively sound position. The focus on medium term financial planning and strong financial discipline will need to be maintained.

110. The delivery of this MTFS rests on three factors:

- The first is the absolute need to deliver the savings in the MTFS. The key risks are the technical difficulty of some projects such as the Digital Council and the public acceptance of some savings.
- The second factor is the need to have very tight control over demand led budgets in children's and adult's social care. A repeat of recent overspends will put the County Council in a very difficult position with a need to make immediate offsetting savings.
- Finally, the County Council needs to manage other risks that could affect its financial position. These include costs currently being borne by the NHS shifting to local authorities and loss of trading income.

111. At the same time and albeit with a reduction in expenditure, maintaining a focus on the importance of early help and prevention services and thereby reducing demand, so important to the wellbeing of the County's citizens and the sustainability of its public services, must remain a priority.

112. The County Council will be a very different organisation by 2021. It needs to be much more innovative, risk aware and commercial in its approach. The plan is deliverable and the MTFS can be balanced over the medium term.

Capital Programme 2017/18 to 2020/21

113. The draft capital programme totals £171.6m over the four years 2017-21 and is shown in detail in Appendix F. The programme is funded by a combination of Government grant, external grants, capital receipts and contributions from revenue balances and earmarked funds. There is an unallocated balance of funding of £9.7m, which will be available for future capital schemes.

114. The draft programme and funding is shown below:

Draft Capital Programme 2017-21

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Children and Family Services	18,989	18,214	tbc	tbc	37,203
Adults and Communities	3,740	4,225	3,000	3,000	13,965
E&T - Transportation	27,501	21,700	15,028	14,245	78,474
E&T - Waste Management	300	400	265	150	1,115
Chief Executive's	100	100	100	100	400
Corporate Resources	2,885	3,210	1,110	825	8,030
Corporate Programme	16,100	10,700	4,130	1,520	32,450
Total	69,615	58,549	23,633	19,840	171,637

Capital Resources 2017-21

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Grants	32,150	36,536	19,128	18,645	106,459
Capital Receipts from sales	14,075	5,490	2,662	2,662	24,889
Revenue/Earmarked funds contributions	14,621	15,247	1,843	8,235	39,946
Capital Earmarked funds	8,769	1,276	0	0	10,045
Total	69,615	58,549	23,633	29,542	181,339

115. The overall approach to developing the capital programme has been based on the following key principles:

- To invest in a limited number of priority areas including roads, infrastructure, economic growth and projects that generate positive revenue returns.
- Passport Government capital grants received for key priorities for highways and education to those departments.
- Maximise the achievement of capital receipts.
- Maximise other sources of income such as bids to the LLEP, Section 106 housing developer contributions and school contributions.
- No or limited prudential borrowing.

116. Where capital projects are not yet fully developed or plans agreed these have been included under the heading of 'Future Developments' under each departmental programme. It is intended that as these schemes are developed during the year they are assessed against the available resources (£9.7m) and included in the capital programme as appropriate. For example the Collections Hub scheme has been placed in the Future Development category until the approach to the Record Office, currently beyond capacity, is resolved so that the programme only includes the schemes that are sufficiently well developed to be delivered.

117. There are a number of schemes included as Future Developments which could exceed the estimated available resources. Prioritisation of the schemes will be needed together with consideration of additional funding options available, for instance any underspends in the MTFS.

Funding and Affordability

Capital Grants

118. Grant funding is the largest source of financing for the capital programme and totals £106m across the 2017-21 programme. The majority of grants included in the programme are awarded by Government departments including the Department for Education (DfE), the Department for Transport (DfT), the Department of Health (DoH) and the Department for Culture, Media and Sport (DCMS). Other grants include funding from the LLEP. While Government grants are allocated by specific central government departments, they are not ring-fenced. It is noteworthy that Government policy to award grants increasingly favours areas with a devolution deal in place or which have a unitary structure.

Children and Family Services

119. Capital funding for schools is provided by the DfE as follows:

a) Basic Need – this grant provides funding for new pupil places by expanding existing maintained schools, free schools or academies and by establishing new schools. Funding is determined through an annual submission to the DfE which identifies the need for additional school places in each local authority. The DfE have previously announced details of the grant awards for 2017/18 (£4.5m) and 2018/19 (£16.9m). No details have been announced for future years and therefore these are not included in the programme at this stage.

b) Condition – this grant provides the maintenance funding for the maintained school asset base. Details of the grant for 2017/18 and future years have not yet been announced. For 2017/18 an estimate of £2.8m has been included in the capital programme. It is expected that this grant will continue but will reduce as further schools convert to academy status.

c) Devolved Formula Capital (DFC) - funding provided to schools. The DfE has not yet announced details of grant allocations. However, an estimate can be made based on the number of maintained schools which totals £0.7m for 2017/18. No estimates have been included for future years, but the grant is expected to continue.

Environment and Transport

120. The DfT has informed local authorities of the amounts they will receive in capital grant for the Local Transport Plan (LTP). The LTP has two elements:

a) Improvement Schemes. Grant funding of £10.9m has been included across the four-year programme. In December 2014 the DfT announced grant funding of £2.7m for 2017/18 together with indicative amounts of the same value per annum for 2018/19 to 2020/21.

b) Maintenance funding. Grant funding of £47.0m has been included in the four-year programme. As with the improvement schemes grant, the amounts were previously announced by the DfT; £12.6m for 2017/18 with indicative allocations of £11.4m per annum for the three years 2018/19 to 2020/21.

121. Other DfT capital grants included are:

- DfT Incentive Fund £4.6m – the DfT has set aside funding to help reward local authorities which can demonstrate it is delivering value for money in carrying out cost effective improvements. The DfT invites each local authority to complete a self-assessment questionnaire to demonstrate that efficiency measures are being pursued. The amount included is prudently estimated to be that applicable for a score at level 2 (out of 3). However, a programme of work is being undertaken within E&T to develop a more strategic approach to Highways Asset management which it is hoped will lead to Level 3 being achieved for 2018/19.

- DfT Pothole Fund £3.3m – the DfT have confirmed an allocation of £1.1m for 2017/18. An estimate of £0.7m has been included for 2018/19 to 2020/21.

122. The County Council's bid, via the LLEP, for funding from the Large Local Major Schemes Fund was successful. This is specifically to develop a business case for the Melton Mowbray Eastern Distributor Road. The indicative allocation is £2.8m; however the precise level and timing of grant will not be confirmed until later in the financial year. An estimate has not been included in the capital programme, at this stage, as it is not known if the grant will be classified as revenue or capital funding.

Capital Receipts

123. The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £25m across the four years to 2020/21. This includes £8m from potential land sales that are subject to planning permission. In these cases the value of the site is significantly increased where planning permission is approved. However, this also comes with a significant amount of uncertainty and potential for delays. For planning purposes an estimate of 20% of the estimated gross capital receipts value has been used in the estimated capital receipts.

Revenue / Earmarked Funds/ Contributions

124. The capital strategy recognises the need to avoid prudential (unsupported by Government) borrowing in order not to increase levels of debt and associated financing costs. A total of £40m has been included in the draft programme funded from one off MTFS revenue contributions and revenue earmarked funds. The largest contributions are from MTFS underspends in 2016/17 and planned MTFS contributions 2017-21.

Capital Earmarked Funds

125. A total of £10m is included in the funding of the capital programme 2017-21 from Section 106 housing developer contributions and re-profiled capital grants from prior years.

Prudential Borrowing

126. The Council is able to finance new capital expenditure by undertaking unsupported borrowing. The financing costs of undertaking borrowing, often from the Public Works Loans Board, are charged to the revenue account and are funded by the Council. By using other sources of funding, capital receipts and one-off revenue contributions, no prudential borrowing is included in the funding of the 2017-21 programme. The County Council's current level of debt is £275m and costs circa £24m in capital financing costs each year. If the Council were to undertake prudential borrowing to increase resources then this would result in increased revenue costs of circa 7% per annum of the amount borrowed.

Departmental Programmes

Children and Family Services

127. The draft programme totals £37.2m over the two years 2017/18 to 2018/19. The priorities for the programme are informed by the Council's School Place Planning Strategy and include the provision of additional accommodation where additional pupil places are needed (£22.1m), completion of a new primary school in Birstall (£3.2m), completion of a new area special school in Wigston (£4.2m) and school improvements (£2.8m).

128. The programme also includes £3.0m to invest in opportunities to address structural changes to the pattern of education where this can be linked to basic need.

Adults and Communities

129. The draft programme totals £14.0m. The main areas of the programme are the Better Care Fund (BCF) Grant programme (£12.0m), some of which is passported to District Councils to fund major housing adaptations in the County for vulnerable people to stay safely in their own home and £1.0m investment in SMART libraries (to enable self-service) subject to a successful pilot scheme.

Environment and Transport (E&T)

130. The transportation programme totals £78.5m over the four years 2017-21. The main areas are:

- Transport Asset Management Programme - £42.5m. Ensuring transport assets such as roads and footways are well managed. The programme includes an adjustment in each year of circa £3m reduction in respect of a substitution of capital funding to offset revenue expenditure. This supports the delivery of revenue savings in the E&T Department.
- Completion of the Street Lighting LED replacement programme £14m. Completion of the £19m programme to replace all County Council maintained street lights with LED lighting and a central management system and de-illumination of traffic signs on bollards by the end of 2018/19.
- Advanced Design work - £8.2m. A programme of advanced design works to support future major transport schemes and bids to the DfT and LLEP for funding.
- County Council vehicle programme - £7.0m. Investment in new vehicles to replace aged vehicles and reduce running costs.
- Zouch Bridge Replacement - £2.8m.

Environment and Transport - Waste Management

131. The programme totals £1.1m and includes drainage and general improvement works at recycling and household waste sites.

Chief Executives

132. A programme of small Shire Community Grants, costing a total of £0.4m across the four years to 2021 is planned.

Corporate Resources

133. The programme totals £8.0m for 2017-21 with the main priorities for investment being:

- £3.1m investment in the ICT upgrade and replacement programme, including the local and wide area networks.
- Industrial Properties and County Farms, £1.7m for general improvements.
- Central Maintenance Fund, £1.0m for major replacement works.
- Snibston and Country Park future strategy, £1.4m has been earmarked for the development of the site.

Corporate Programme

134. The corporate programme totals £32.5m for 2017-21. The main area is the investment in the Corporate Asset Investment Fund of property and land assets to improve economic development, replace assets sold to generate capital receipts, and generate ongoing revenue returns.

135. The corporate programme also includes investment in the Energy and Water Strategy programme of £2.3m, to reduce energy consumption across the Council's property estate to deliver ongoing efficiency savings and reduce carbon emissions; and £5m investment in superfast rural broadband to complete phase 2 of the programme across Leicestershire.

Capital Summary

136. Given the declining financial position it is important that the process for developing long term infrastructure plans continues to improve so that the right investment choices are made. Currently longer term infrastructure schemes are not included in the programme. Pressure on school places and Leicestershire's infrastructure is expected from population growth, with estimates of a 12% increase in the County's population by 2030. It is assumed that Section 106 and Government funding will be available at the necessary level.

137. By their nature discretionary asset investments, which are made to generate capital receipts or revenue returns, are risky. Whilst this is partially mitigated by the County Council's ability to take a long term view of investments, removing short term volatility, it is likely that not all investment will yield returns in line with the business case.

138. A significant portion of the programme enables revenue savings; delays or unsuccessful schemes will directly affect the revenue position.

139. The level of funding received directly from Government for transport schemes has reduced significantly. For the County Council to access additional funding other organisations, such as the LLEP or the Combined Authority, need to be operated effectively.

Equality and Human Rights Implications

140. Public authorities are required by law to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between people who share protected characteristics and those who do not; and
- Foster good relations between people who share protected characteristics and those who do not.

141. Many aspects of the County Council's MTFS may affect service users who have a protected characteristic under equalities legislation. An assessment of the impact of the proposals on the protected groups must be undertaken at a formative stage prior to any final decisions being made. Such assessments will be undertaken in light of the potential impact of proposals and the timing of any proposed changes. Those assessments will be revised as the proposals are developed to ensure decision makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic.

142. Proposals in relation to savings arising out of a reduction in posts will be subject to the County Council's Organisational Change policy which requires an Equality Impact Assessment to be undertaken as part of the Action Plan.

Crime and Disorder Implications

143. Some aspects of the County Council's MTFS are directed towards providing services which will support the reduction of crime and disorder.

Environmental Implications

144. The MTFS will include schemes to support the carbon management programme and other environmental improvements.

Partnership Working and Associated Issues

145. As part of the efficiency programme and improvements to services, working with partners and service users will be considered along with any impact issues, and they will be consulted on any proposals which affect them.

Risk Assessments

146. As this report states, risks and uncertainties surrounding the financial outlook are significant. The risks are included in the Corporate Risk Register which is regularly updated and reported to the Corporate Governance Committee.

Background Papers

Revenue Support Grant provisional settlement 2016-20
http://ow.ly/WSZgU

Report to the County Council on 17 February 2016: “Medium Term Financial Strategy 2016/17 - 2019/20”
http://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=4427&Ver=4

Report to the Cabinet on 11 October 2016: “2016/17 Medium Term Financial Strategy Monitoring (Period 5) and Investment Proposals”
http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=4606&Ver=4

List of Appendices

A Four Year Revenue Budget 2017/18 to 2020/21
B: 2017/18 Revenue Budget
C: Savings
D: Savings Under Development
E: Growth
F Capital Programme 2017/18 to 2020/21

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APPENDIX A

2017/18 - 2020/21 REVENUE BUDGET *

	TOTAL 2016/17 £000	Inflation/ Contingencies /Transfers £000	Growth £000	Savings £000	TOTAL 2017/18 £000	Inflation/ Contingencies /Transfers £000	Growth £000	Savings £000	TOTAL 2018/19 £000	Inflation/ Contingencies /Transfers £000	Growth £000	Savings £000	TOTAL 2019/20 £000	Inflation/ Contingencies /Transfers £000	Growth £000	Savings £000	TOTAL 2020/21 £000
Children & Family Services	60,899	166	1,370	-1,935	60,500	0	850	-2,875	58,475	0	840	-2,190	57,125	0	830	-1,070	56,885
Adults & Communities	132,527	3,384	2,770	-5,700	132,981	0	3630	-3,230	133,381	0	3,510	-950	135,941	0	3,350	-1,150	138,141
Public Health **	-2,450	2,256	700	-830	-324	0	700	-500	-124	0	670	-500	46	0	20	-500	-434
Environment & Transport	69,911	1,395	-1,005	-4,985	65,316	99	965	-4,810	61,570	184	960	-840	61,874	64	900	-535	62,303
Chief Executives	9,676	356	160	-455	9,737	0	100	-515	9,322	0	0	-25	9,297	0	0	-75	9,222
Corporate Resources	31,635	2,623	535	-2,310	32,483	0	230	-2,530	30,183	0	-20	-740	29,423	0	0	-20	29,403
	302,198	10,180	4,530	-16,215	300,693	99	6,475	-14,460	292,807	184	5,960	-5,245	293,706	64	5,100	-3,350	295,520
DSG (Central Dept recharges)	-922				-922				-922				-922				-922
Carbon Reduction Commitment	355				355				355	-200			155				155
Other corporate growth & savings	0		0	0	0		0	0	0		2,000	0	2,000		1,000	0	3,000
Contingency for savings	8,000	-4,000			4,000	4,000			8,000				8,000				8,000
Contingency for inflation/ Living Wage	17,200	-802			16,398	13,952			30,350	11,750			42,100	12,150			54,250
	326,831	5,378	4,530	-16,215	320,524	18,051	6,475	-14,460	330,590	11,734	7,960	-5,245	345,039	12,214	6,100	-3,350	360,003
Central Items:																	
Financing of capital	24,100	-1,300			22,800	-300		-3,500	19,000	300			19,300	100			19,400
Revenue funding of capital	6,475	6,525			13,000	-9,100			3,900	-3,100			800				800
Central expenditure	3,924	-281		-100	3,543	-39		-100	3,404	-50		-100	3,254	-50			3,204
Central grants and other income	-13,592	1,991			-11,601	7,046			-4,555	110			-4,445	0			-4,445
Total Spending	347,738	12,313	4,530	-16,315	348,266	15,658	6,475	-18,060	352,339	8,994	7,960	-5,345	363,948	12,264	6,100	-3,350	378,962
Contribution from Earmarked Funds	-1,000				-1,000				-1,000				-1,000				0
Budget Requirement	346,738				347,266				351,339				362,948				378,962
Funding																	
Revenue Support Grant	-36,992				-19,548				-8,549				0				0
Business Rates - Top Up	-36,743				-37,466				-38,571				-37,659				-27,760
Business Rates Baseline/Retained	-20,336				-20,742				-21,351				-22,028				-22,510
S31 grants - Business Rates	-1,470				-1,470				-1,470				-1,470				-1,470
Collection Fund net deficit / (surplus)	-3,682				-5,000				-1,000				0				0
Council Tax	-247,515			-500	-263,040				-277,610				-292,990				-303,280
	-346,738				-347,266				-348,551				-354,147				-355,020
VARIANCE	0				0				2,788				8,801				23,942
Band D Council Tax	*£1,127.40*				*£1,172.38*				*£1,219.16*				*£1,267.81*				*£1,293.04*
Increase	*3.99%*				*3.99%*				*3.99%*				*3.99%*				*1.99%*

* provisional for 2018/19 and later years

** preventative expenditure within other Deparments' budgets to be identified and absorbed into the ring fenced budget

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APPENDIX B

REVENUE BUDGET 2017/18

	Base including inflation £000	Growth £000	Savings £000	TOTAL £000
Spending				
Services :				
Schools *				0
Children & Family Services	61,065	1,370	-1,935	60,500
Adults & Communities	135,911	2,770	-5,700	132,981
Public Health **	-194	700	-830	-324
Environment & Transport	71,306	-1,005	-4,985	65,316
Chief Executives	10,032	160	-455	9,737
Corporate Resources	34,258	535	-2,310	32,483
	312,378	4,530	-16,215	300,693
Dedicated Schools Grant (Central Dept recharges)	-922			-922
Carbon Reduction Commitment	355			355
Other corporate growth & savings	0	0	0	0
Contingency for savings	4,000			4,000
Contingency for inflation/ Living Wage	16,398			16,398
	332,209	4,530	-16,215	320,524
Central Items:				
Financing of capital	22,800	0	0	22,800
Revenue funding of capital	13,000			13,000
Central expenditure	3,643	0	-100	3,543
Central grants and other income	-11,601	0	0	-11,601
Total Central Items	27,842	0	-100	27,742
Contribution from Earmarked Funds	-1,000			-1,000
Budget Requirement	**359,051**	**4,530**	**-16,315**	**347,266**
Funding (provisional)				
Revenue Support Grant				-19,548
Business Rates - Top Up				-37,466
Business Rates Baseline / retained				-20,742
S31 grants - Business Rates				-1,470
Collection Fund net deficit / (surplus)				-5,000
Council Tax			-500	-263,040
			-16,815	**-347,266**
Council Tax				
Council Tax Base (provisional)				223,935.82
Band D Council Tax				£1,172.38
Increase on 2016/17 (£1,127.40)				3.99%

* Schools - Delegated and Schools Block budgets funded by Dedicated Schools Grant
** Public Health funded by Grant

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APPENDIX C

SAVINGS

References used in the following tables

* items unchanged from previous Medium Term Financial Strategy
** items included in the previous Medium Term Financial Strategy which have been amended
Eff - Efficiency saving
SR - Service reduction
Inc - Income

	Reference	Eff/SR/ Income		2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
			CHILDREN & FAMILY SERVICES				
			Transformation				
**	CF1	Eff	New Departmental Operating Model	-200	-500	-500	-500
**	CF2	Eff	Reduced cost / demand Social Care Placements	-1,000	-2,100	-3,190	-4,260
	CF3	Eff/SR	Admin / Business Support Review	-100	-250	-250	-250
			Early Help and Prevention (EHAP) Review				
	CF4	Eff/SR	Review Children's Centre Programme - EHAP Review			-1,000	-1,000
	CF5	SR	Reprocurement of Contract for Careers Information, Advice & Guidance: EHAP Programme		-340	-340	-340
			Total	-1,300	-3,190	-5,280	-6,350
			Departmental				
	CF6	Eff/SR	Review contribution to LSCB	-40	-40	-40	-40
	CF7	SR	Review LEEP activity	-245	-245	-245	-245
	CF8	SR	Education of Children in Care	-95	-95	-95	-95
	CF9	Inc	Charge for Academy Conversion	-70	-70	-70	-70
	CF10	Eff/Inc	Review the Educational Psychology Service	-75	-200	-300	-300
			Early Help and Prevention (EHAP) Review				
*	CF11	SR	Remodelling Early Help	-110	-110	-110	-110
	CF12	SR	Review of Departmental Early Help Services		-500	-500	-500
	CF13	SR	Reprocurement of Contract for Careers Information, Advice & Guidance: Departmental Activity		-360	-360	-360
				-635	-1,620	-1,720	-1,720
			TOTAL	**-1,935**	**-4,810**	**-7,000**	**-8,070**

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Dedicated Schools Grant Savings				
Transformation				
Review Specialist Teaching Services	-790	-1,350	-1,350	-1,350
Reduced Cost / Demand SEN Placements	-725	-1,495	-1,495	-1,495
	-1,515	-2,845	-2,845	-2,845
Departmental				
Review Schools Causing Concern Budget - Maintained Schools	-100	-120	-140	-250
Reduce Budget Allocation - Oakfield	-30	-50	-50	-50
	-130	-170	-190	-300
	-1,645	**-3,015**	**-3,035**	**-3,145**

APPENDIX C

	Reference	Eff/SR/ Income		2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
			SAVINGS				
			ADULTS & COMMUNITIES				
			Adult Social Care				
			Transformation				
*	AC1	Eff	Outcome Based Commissioning - Helped to Live At Home Project	-1,000	-1,000	-1,000	-1,000
**	AC2	Eff	Review of Equipment and Therapy Services		-250	-350	-350
*	AC3	Eff/SR	Development & implementation of the Adult Social Care workforce strategy	-900	-900	-900	-900
**	AC4	Eff	Review of individual long term residential placement costs	-250	-500	-750	-1,000
**	AC5	Eff/SR	Effective management of Direct Payments and Personal Budget allocations	-600	-1,150	-1,150	-1,150
			Total	-2,750	-3,800	-4,150	-4,400
			Departmental				
**	AC6	Eff	Review of In-House Services and Shared Lives alternative to residential and day care	-390	-820	-820	-820
**	AC7	SR	External Contract Review	-230	-230	-230	-230
**	AC8	Inc	Increased income from fairer charging and removal of subsidy / aligning increases	-100	-200	-300	-400
*	AC9	SR	Review of Equipment and adaptations	-150	-150	-150	-150
**	AC10	Eff	Developing Extracare as alternative to residential, nursing and homecare	-30	-65	-65	-65
**	AC11	Eff/SR	Review of Supported Living costs	-450	-615	-915	-915
**	AC12	Eff/SR	Delayed saving AC7 from 2016/17	250	250	250	250
*	AC13	Eff/SR	Reablement review	-250	-750	-750	-750
**	AC14	Eff/SR	Review of Community Life Choices costs	-250	-750	-750	-750
*	AC15	Eff	Improvements to the Mental Health pathway	-250	-500	-500	-500
**	AC16	Eff	Reduced financial growth following demand management improvements	-1,000	-1,000	-1,000	-1,000
			Total	-2,850	-4,830	-5,230	-5,330
			Total ASC	**-5,600**	**-8,630**	**-9,380**	**-9,730**
			Communities and Wellbeing				
			Transformation				
**	AC17	Eff/SR	Implementation of revised service for communities and wellbeing	-100	-300	-500	-1,300
			Total C&W	**-100**	**-300**	**-500**	**-1,300**
			TOTAL A&C	**-5,700**	**-8,930**	**-9,880**	**-11,030**
			PUBLIC HEALTH				
			Transformation				
**	PH1	SR	Review of smoking & tobacco services and contracts	-480	-480	-480	-480
	PH2	Eff/SR	Early Help & Prevention Review - review on externally commissioned prevention services		-500	-1,000	-1,500
	PH3	Eff/SR	Early Help & Prevention Review - A&C departmental saving requirement	-130	-130	-130	-130
			Total	-610	-1,110	-1,610	-2,110
			Departmental				
*	PH4	SR	Review of contracts relating to sexual health services	-195	-195	-195	-195
*	PH5	SR	Other Public Health services	-25	-25	-25	-25
			Total	-220	-220	-220	-220
			TOTAL	**-830**	**-1,330**	**-1,830**	**-2,330**

APPENDIX C

SAVINGS

	Reference	Eff/SR/ Income		2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
			ENVIRONMENT & TRANSPORT				
			HIGHWAYS & TRANSPORT				
			Transformation				
**	ET1	SR	Street Lighting - expected savings from conversion to LEDs including consideration of any further switching off, dimming and part night lighting	-750	-1,500	-1,750	-1,750
**	ET2	Eff/SR	Revised approach to Highways Maintenance (Looking after Leicestershire) including improvement schemes	-3,000	-3,550	-3,550	-3,550
**	ET3	Eff/SR	Revised TOM for E&T to align directorate with emerging commissioning and procurement strategy	-700	-700	-700	-700
**	ET4	Eff/SR	Service review of Highway Authority planning processes and charging regimes	-300	-550	-550	-550
**	ET5	Eff/SR	Delayed savings in Street Lighting (ET1),Highways Maintenance (ET2) and Service Review (ET4)	1,360	1,360	1,360	1,360
			Total	-3,390	-4,940	-5,190	-5,190
			Departmental				
*	ET6	Eff	Further contract renewal savings	-100	-200	-200	-200
**	ET7	Eff	Invest to save - fleet renewal	-135	-135	-135	-135
*	ET8	SR	Review of Road Safety strategy and provision	-220	-390	-390	-390
**	ET9	Eff/SR	Review of SEN / Social Care Transport	-125	-250	-250	-250
**	ET10	Eff/SR	Delayed savings in Fleet Renewal (ET7) and Transport (ET10)	95	95	95	95
**	ET11	SR	Public bus services - revised policy on subsidised transport		-1,300	-1,300	-1,300
**	ET12	SR/Inc	County wide parking strategy including residents' parking permits and consideration of charging for on-street parking	-50	-650	-650	-650
			Total	-535	-2,830	-2,830	-2,830
			Total	**-3,925**	**-7,770**	**-8,020**	**-8,020**
			ENVIRONMENT				
			Transformation				
*	ET13	Eff	Revised payment mechanism on Recycling Credits	-85	-85	-85	-85
*	ET14	SR	Review of Recycling & Household Waste Sites (RHWS) provision	-135	-150	-150	-150
**	ET15	Eff	Revised RHWS delivery model	-250	-400	-400	-400
*	ET16	Eff	Waste & Environment Management	-30	-30	-30	-30
**	ET17	Eff	Revised payment mechanism for recycling credits for dry materials (net saving – gross saving £3.4m)		-600	-1,100	-1,400
			Total	-500	-1,265	-1,765	-2,065
			Departmental				
**	ET18	Eff	Efficiencies from contract procurement/renewal	-50	-190	-250	-305
	ET19	Eff	Reduced costs of green waste disposal	-250	-250	-250	-250
*	ET20	Eff	Landfill Diversion	-150	-150	-150	-150
**	ET21	Inc	Trade Waste Income	-60	-90	-120	-150
**	ET22	Eff	Waste Initiatives & Waste Strategy Implementation	-50	-80	-80	-80
	ET23	Eff	Future residual waste strategy				-150
			Total	-560	-760	-850	-1,085
			Total	**-1,060**	**-2,025**	**-2,615**	**-3,150**
			TOTAL E&T	**-4,985**	**-9,795**	**-10,635**	**-11,170**

APPENDIX C

SAVINGS

Reference		Eff/SR/ Income		2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
			CHIEF EXECUTIVE				
			Transformation				
			Departmental				
*	CE1	SR	Funding and support to agencies		-20	-20	-20
**	CE2	Eff	Vacancy Control/ Staff Turnover	-100	-100	-100	-100
*	CE3	Eff	Democratic Services, Administration and Civic support review	-90	-120	-120	-120
*	CE4	Eff	Legal Services review		-80	-80	-80
**	CE5	Inc	Registration Service - Review and increased income	-95	-95	-95	-95
*	CE6	SR	Review Planning, Historic and Natural Environmental Services	-25	-65	-65	-65
**	CE7	SR	Review of Community Centre Funding	-5	-20	-20	-20
**	CE8	Eff	Trading Standards - Service Review and Joint Working	-40	-100	-100	-100
**	CE9	SR	Reduction in the value of Shire Community Grants		-70	-70	-70
**	CE10	SR	Review funding for economic development activity to external agency	-100	-200	-225	-300
			Total	-455	-870	-895	-970
			New Savings				
	CE11	Eff/SR	Early Help and Prevention Review - reduced contribution to community capacity building		-100	-100	-100
			Total	0	-100	-100	-100
			TOTAL	**-455**	**-970**	**-995**	**-1,070**
			CORPORATE RESOURCES				
			Transformation				
**	CR1	Eff/Inc	Increasing Commercial Services contribution	-500	-1,250	-2,000	-2,000
			Total	-500	-1,250	-2,000	-2,000
			Departmental				
**	CR2	Eff	Business Support Review	-65	-170	-170	-170
**	CR3	Eff	Review of Strategic Finance & Assurance	-80	-405	-405	-405
**	CR4	Eff	Human Resources & Organisation Review	-435	-735	-735	-735
**	CR5	Eff	ICT Review (Strategic and Operational)	-535	-1,240	-1,240	-1,240
**	CR6	Eff	Customer Service Centre Review		-130	-130	-130
**	CR7	Eff	Operational Property Review	-270	-400	-400	-400
**	CR8	Eff	Energy & Water efficiencies	-225	-310	-300	-320
*	CR9	Eff	Efficiency savings from sharing services with Nottingham City Council	-200	-200	-200	-200
			Total	-1,810	-3,590	-3,580	-3,600
			TOTAL	**-2,310**	**-4,840**	**-5,580**	**-5,600**
			CENTRAL ITEMS				
*	CI1	Inc	Financial Arrangements - growth in ESPO income	-100	-200	-300	-300
				-100	-200	-300	-300
			New savings				
	CI2	N/A	Minimum Revenue Provision (MRP)		-3,500	-3,500	-3,500
	CI3	Inc	Review of Local Council Tax Support Schemes	-500	-500	-500	-500
				-500	-4,000	-4,000	-4,000
			TOTAL	**-600**	**-4,200**	**-4,300**	**-4,300**
			TOTAL including additional income	**-16,815**	**-34,875**	**-40,220**	**-43,570**
			Overall net additional savings		-18,060	-5,345	-3,350

APPENDIX D

Savings Under Development

1. Review of County Council's role in running schools

   The March White Paper 'Educational Excellence Everywhere' set out the Department for Education's (DfE) ambition for educational excellence and set out the end of local authorities role in running schools, it also set out the intention to revise statutory duties for local authorities. It is not known when or if the White Paper will continue in its current form. When the DfE sets out its expectation of local authorities in education provision a review of the County Council's role will be undertaken.

2. Disabled Children's Respite Care - new service model

   Respite provision for children with disabilities is through a private sector contract and delivered in an institutional setting. A service review is being undertaken to determine whether a family based solution is able to provide a more flexible cost effective service.

3. Education of Children in Care

   The education of children in care service has been grown over recent years; benchmarking data has identified Leicestershire as a high spending authority in this area. A review is underway to assess the cost effectiveness of the current service model and offer.

4. Lower cost adult social care provision

   The most significant cost in ASC is for residential placements. Some exploratory work has been undertaken to better understand the market and scope to make savings from different models of placements for adults with learning difficulties. Further opportunities are being sought through an integrated review with Health and Rutland for fees for residential and nursing care to establish consistent pricing of placements.

5. Whole life disability

   The County Council does not currently operate a fully integrated whole-life approach to disability services. Work is underway to establish the best options to deliver fully integrated care pathways for disabled people in Leicestershire, with the expectation that work can be undertaken in partnership to better meet the needs of service users. The County Council will also work with the private, voluntary and independent sectors to develop a robust local offer for Leicestershire. It is anticipated that through a more joined up approach internally and with partners, efficiencies can be made and outcomes improved for service users.

6. <u>Promoting Independence in the home for high dependency service users</u>

A significant proportion of the cost of care related to the delivery by multiple carers to one service user. A review will be undertaken to establish the potential to reducing double handed care provision through improved use of equipment and moving/manual handling practices.

7. <u>Social Care and SEN Transport</u>

A review is being undertaken of transport services provided for SEN and social care service users. These service areas have a current combined budget of nearly £10m. Some measures have already been put in place that will save £0.3m (already built into the MTFS). A number of further potential initiatives have been identified that the County Council could pursue to reduce spend and offset growth pressures which will hopefully generate further savings to be included in the MTFS.

8. <u>Increased revenues from Asset Investments</u>

A number of asset investment possibilities are currently being appraised and when approved by the Corporate Asset Investment Fund Advisory Board, progressed. The benefits of making these investments will not only be to the local economy, but also generate an additional ongoing revenue stream (for example as rental income from farms or industrial units) or future capital receipts in excess of what is required for the initial investment.

9. <u>Integrated ICT Systems</u>

In line with a move towards a single outcome framework and to further enable existing MTFS opportunities including Prevention/Early Help and Whole Life Disability, the current ICT system landscape will be reviewed to enable greater cross-departmental working, for example implementing common systems. The intention is also to extend this principle of using ICT to enable closer joint working by investigating opportunities with partners including Health.

10. <u>Review Structures and Delivery Models</u>

As the single outcome framework is developed refocusing the County Council's priorities, the intention is to review the Target Operating Model for the organisation and from that how the Council's functions are organised, managed and delivered to reflect this. Similarly, given a number of factors including the living wage the intention is to review the relationship and balance between externally provided services and those which the Council continues to provide successfully in-house.

11. <u>Proactively Manage Demand</u>

Given the cuts to public service, the County Council's digital delivery plan is already targeting managing demand in a cost effective manner while providing a simpler customer experience. However, given that further savings will be required it will become more important to also manage customer expectations. Exploratory work will begin to understand whether a structured and coordinated approach to utilising behavioural insight approaches can help manage these expectations. For example, removing the signs by the roadside which encourage customers to call if they wish to report a defect, instead encouraging self-serve digital options.

12. Commercialism

Following the work performed over the course of the year, traded services have been developed and an additional £2m of savings built into the MTFS. The Council intends to investigate broadening the scope of what it is currently trading, by reviewing the services provided that have income generation potential, exploring alternative delivery models such as joint ventures and explore potential insourcing. In due course a strategy will be delivered, clearly identifying where the Council should focus its efforts.

13. Commissioning and Procurement

A range of measures is being considered with the aim of improving the County Council's approach to commissioning and procurement. These measures should allow resources to be targeted where they will have the biggest potential impact and ensure that the most appropriate mechanisms are used, leading to lower cost services. Proposals that are currently being developed include more integrated ways of working, making greater use of community provision, strengthening contract management arrangements, and exploring the potential consolidation of some internal functions.

14. People and Performance Management

A number of measures are being considered, with the aim of improving performance and productivity across the organisation, and ultimately reducing the cost of delivering services. These could include: introduction of a performance management framework which will involve creating clear expectations about the role of the manager and associated accountability, more robust and challenging recruitment (for attitude and aptitude), development of managers, and a renewed focus on the Council's organisation design principles.

15. Digital Services

During this financial year the Council has finalised a digital strategy which aims to strengthen communities and grow the economy through skills and infrastructure; deliver easy-to-use digital services which help people do things for themselves; and enable better ways of working.

Underpinning this strategy is a digital delivery plan which is driving key pieces of work including a review of customer-facing transactions and a simpler, more cost effective way of managing IT.

Departments have been tasked with identifying areas for further research and development. Achieving additional savings through digital will require a cross-council commitment to working differently. It may also require a firmer determination to drive all transactions, except high-risk activities, digitally.

16. Property Initiatives

Over recent years the County Council has delivered reduced accommodation costs and generated increased rental income by using space more flexibly and ensuring that it is fit for purpose. This not only delivers a financial return but encourages relationships between organisations. The intention is to exploit this opportunity further in terms of not only how the County Council uses its buildings but also across all publicly held estates in Leicestershire. Working with public sector partners under the One Public Estate initiative to rationalise the Council's collective property estates, will release land for housing or job creation and reduce costs of accommodation and/or realise capital receipts.

APPENDIX E

GROWTH

	Reference		2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
		CHILDREN & FAMILY SERVICES				
		Demand & cost increases				
	G1	Demographic growth- Social Care Placements	860	1,710	2,550	3,380
	G2	Social Work pressures: case load reduction /quality assurance	510	510	510	510
		Total	**1,370**	**2,220**	**3,060**	**3,890**
		ADULTS & COMMUNITIES				
		Demand & cost increases				
**	G3	Older people - new entrants and increasing needs in community based services and residential admissions	560	1,770	2,920	4,110
**	G4	Learning Disabilities - new entrants including children transitions and people with complex needs	1,320	3,480	5,610	7,550
**	G5	Mental Health - new entrants in community based services	160	320	430	540
**	G6	Physical Disabilities - new entrants in community based services	30	130	250	360
		Other increases				
*	G7	Deprivation of Liberty Safeguards (DOLS) - increased team costs-post Supreme Court judgement	700	700	700	700
		Total	**2,770**	**6,400**	**9,910**	**13,260**
		PUBLIC HEALTH				
		Reduced Income				
**	G8	Reductions to Public Health specific grant(offsetting savings are included)	650	1,310	1,960	1,960
		Demand & cost increases				
	G9	Integrated Sexual Health Service - increased testing expected as result of new Pre Exposure Prophylaxis treatment for HIV risk groups	50	90	110	130
			700	**1,400**	**2,070**	**2,090**
		ENVIRONMENT & TRANSPORT				
		Highways & Transport				
		Demand & cost increases				
**	G10	Special Educational Needs transport - increased client numbers/costs	1,720	2,085	2,465	2,860
*	G11	Removal of time-limited growth - Special Educational Needs transport	-700	-700	-700	-700
*	G12	Removal of time-limited growth - Highways Maintenance	-3,000	-3,000	-3,000	-3,000
		Total	-1,980	-1,615	-1,235	-840
		Environment				
		Demand & cost increases				
**	G13	Landfill Tax - annual increases linked to RPIX	135	365	600	845
*	G14	Recycling (and Reuse) Credits	190	290	390	390
**	G15	Waste tonnage increases	650	920	1,165	1,425
		Total	975	1,575	2,155	2,660
		Total	**-1,005**	**-40**	**920**	**1,820**
		CHIEF EXECUTIVES				
		Demand & cost increases				
**	G16	Hardship and Crisis Support	0	100	100	100
*	G17	Business Intelligence System (one-off growth)	-120	-120	-120	-120
	G18	Coroners	130	130	130	130
	G19	County Council's contribution to the running of the Combined Authority	150	150	150	150
		Total	**160**	**260**	**260**	**260**
		CORPORATE RESOURCES				
		Demand & cost increases				
**	G20	ICT infrastructure costs and consequences of capital spend	265	265	265	265
	G21	Intranet ongoing maintenance	105	105	105	105
**	G22	Strategic Property resources to manage and develop the property assets	0	250	250	250
	G23	Information & Records Management and Data Compliance Regulations	130	110	90	90
	G24	Cyber breach insurance	35	35	35	35
		Total	**535**	**765**	**745**	**745**
		Corporate Growth				
	G25	Social Care growth contingency			2,000	3,000
		TOTAL	**4,530**	**11,005**	**18,965**	**25,065**
		Overall net additional growth		6,475	7,960	6,100

* items unchanged from previous Medium Term Financial Strategy
** items included in the previous Medium Term Financial Strategy which have been amended

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APPENDIX F

C&FS CAPITAL PROGRAMME 2017/18 to 2020/21 - Draft

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
MAIN GRANT FUNDING PROGRAMME					
Commitments b/f					
Provision of Additional Primary Places:	3,127	1,276			4,403
Birstall, New Primary School	3,248				3,248
Wigston Area Special School	4,246				4,246
To seek opportunities to address structural changes to the pattern of education where this can be linked to basic need (10+ Retention)	3,020				3,020
New Starts					
Provision of Additional Primary Places	1,748	15,938			17,686
SEND Initiatives	0	1,000			1,000
Ofsted and Safeguarding Works	50				50
Schools Access	50				50
School Condition *	2,800				2,800
- Boiler Replacement					
- Structural Repairs					
- Electrical					
Sub-total	**18,289**	**18,214**	**0**	**0**	**36,503**
Schools Devolved Formula Capital *	700				700
Overall Total	**18,989**	**18,214**	**0**	**0**	**37,203**

* - awaiting Government announcement due early/mid December 2016.

Future Developments - subject to further detail and approved business cases					
S106 Schemes - externally funded tbc	tbc	tbc	tbc	tbc	tbc

A&C CAPITAL PROGRAMME 2017/18 to 2020/21 - Draft

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Commitment b/f					
Replacement of mobile libraries	200				200
Extracare Provision - Loughborough (Derby Road) contribution to East Midlands Housing Scheme	310				310
Changing Places / Toilets (facilities for people who need personal assistance)	100				100
New Starts					
Smart Libraries - Invest to Save - subject to business case	100	855			955
Libraries - Broadband Expansion	30				30
Libraries - reconfiguration of space	0	370			370
Better Care Fund (BCF) *	3,000	3,000	3,000	3,000	12,000
Total A&C	**3,740**	**4,225**	**3,000**	**3,000**	**13,965**

* - awaiting Government announcement due early/mid December 2016.

Future Developments - subject to further detail and approved business cases					
Record Office / Collections Hub	tbc	tbc	tbc	tbc	tbc
Bosworth Battlefield Heritage Centre	tbc	tbc	tbc	tbc	tbc
Health and Social Care Service User Accommodation	tbc	tbc	tbc	tbc	tbc
Mobile Working - Promoting Independence / Care Pathway Improvements Programme	tbc	tbc	tbc	tbc	tbc

E&T TRANSPORT CAPITAL PROGRAMME 2017/18 to 2020/21 - Draft

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Commitments b/f					
Zouch Bridge Replacement	1,709	1,075			2,784
Advance Design - Strategic Economic Partnership	1,000	1,000	2,728	3,445	8,173
County Council Vehicle Programme	1,900	1,700	1,700	1,700	7,000
Melton Depot - Replacement	500	1,250			1,750
Street Lighting (LED Installation,CMS System and de-illumination of street signs)	9,000	5,000			14,000
	14,109	**10,025**	**4,428**	**5,145**	**33,707**
Strategic Economic Plan (SEP)					
Leicester North West Major Scheme	250				250
Hinckley Area Approach - Zone 4	800				800
	1,050	**0**	**0**	**0**	**1,050**
New Starts					
Transport Asset Management*	11,727	11,100	10,600	9,100	42,527
Carriageway Resurfacing & Major Strengthening					
Bridges					
Flood Alleviation					
Footways (Category 1,2,3 & 4)					
Street Lighting					
Traffic Signal Renewal					
Surface Dressing & Preventative Maintenance					
Planned Carriageway Patching					
Welfare Unit / Transportation	40				40
Safety Schemes	500	500			1,000
Highways Maintenance - IT renewals	75	75			150
	12,342	**11,675**	**10,600**	**9,100**	**43,717**
Total E&T	**27,501**	**21,700**	**15,028**	**14,245**	**78,474**

* awaiting Government Grant allocation for 2018/19 onwards.
* programme amended by -£3.4m (2017/18), -£3.4m (2018/19), -£3.2m (2019/20), £3.1m (2020/21) for estimated substitution to E&T revenue budget

Future Developments - subject to further detail and approved business cases					
S106 Schemes - externally funded tbc	tbc	tbc	tbc	tbc	tbc
M1 Junction 23 subject to successful funding bids	tbc	tbc	tbc	tbc	tbc
County wide parking strategy	tbc	tbc	tbc	tbc	tbc
Melton Mowbray Eastern Bypass	tbc	tbc	tbc	tbc	tbc

E&T WASTE MANAGEMENT CAPITAL PROGRAMME 2017/18 to 2020/21 - Draft

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
New Schemes					
Recycling Household Waste Sites Improvements - Drainage	150	250	115		515
Recycling Household Waste Sites Improvements and works	150	150	150	150	600
Total Waste Management	**300**	**400**	**265**	**150**	**1,115**

CHIEF EXECUTIVES CAPITAL PROGRAMME 2017/18 to 2020/21 - Draft

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Shire Community Solutions Grants	100	100	100	100	400
Total Chief Executives	**100**	**100**	**100**	**100**	**400**
Future Developments - subject to further detail and approved business cases					
Expanding Registrars Service - create wedding venues to generate income	tbc	tbc	tbc	tbc	tbc

CORPORATE RESOURCES CAPITAL PROGRAMME 2017/18 to 2020/21 - Draft

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
ICT:					
Local Area Network (LAN) Edge Refresh - County Hall & Remote sites	325	70	450	100	945
Wide Area Network (WAN) Replacement	0	450			450
Storage Area Network (SAN),Network Attached Storage (NAS) Replacement & Cisco Nexus	0	400	100		500
ICT Infrastructure replacement (back up, hyper V servers)	360	300	160	185	1,005
Firewall replacements	0	40	0	140	180
Sub total ICT	**685**	**1,260**	**710**	**425**	**3,080**
Strategic Property					
County Farms Estate - General Improvements	200	200	200	200	800
Industrial Properties Estate - General Improvements	250	250	200	200	900
Central Maintenance Fund - major works	500	500			1,000
Charnwood Locality Office Accommodation (refurbishment of Pennine House , Loughborough)	700				700
Snibston & Country Park Future Strategy	400	1,000			1,400
Beacon Hill Café and Education Centre	150				150
Sub total Strategic Property	**2,200**	**1,950**	**400**	**400**	**4,950**
Total Corporate Resources	**2,885**	**3,210**	**1,110**	**825**	**8,030**

Future Developments - subject to further detail and approved business cases					
Cross Cutting projects					
Digital Services	tbc	tbc	tbc	tbc	tbc
Commercial Investments	tbc	tbc	tbc	tbc	tbc
LLR Point of Access	tbc	tbc	tbc	tbc	tbc
Major System Replacements, Oracle, IAS, Frameworki, STADS, Customer Service Centre	tbc	tbc	tbc	tbc	tbc
Virtual Desktop Infrastructure (VDI) refresh required	tbc	tbc	tbc	tbc	tbc
Watermead Country Park - Bridge	tbc	tbc	tbc	tbc	tbc
Accommodation & Office Strategy / CHMP Phase 3	tbc	tbc	tbc	tbc	tbc

CORPORATE PROGRAMME CAPITAL PROGRAMME 2017/18 to 2020/21 - Draft

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Corporate Asset Investment Fund					
Airfield Business Park - Phase 1	2,990	4,820	350		8,160
Coalville Workspace Project	4,090	650			4,740
Rural Workspace Project	190	2,430	1,530		4,150
Asset Acquisitions / New Investments	3,000	2,000	2,000	1,270	8,270
	10,270	**9,900**	**3,880**	**1,270**	**25,320**
Energy Strategy					
Energy & Water Strategy Invest to Save	1,000	800	250	250	2,300
	1,000	**800**	**250**	**250**	**2,300**
Rural Broadband Scheme					
Rural Broadband Scheme - Phase 2	**4,830**				**4,830**
Total Corporate Programme	**16,100**	**10,700**	**4,130**	**1,520**	**32,450**

Future Developments - subject to further detail and approved business cases					
Loughborough University Science Enterprise Park (LUSEP)	tbc	tbc	tbc	tbc	tbc
Mira Enterprise Zone	tbc	tbc	tbc	tbc	tbc
One Public Estate - subject to business case anaylsis and trading potential	tbc	tbc	tbc	tbc	tbc
Integrated Sexual Health Service - potential relocation	tbc	tbc	tbc	tbc	tbc
Asset Acquisitions Future Investments					
Office Development, Leaders Farm, Lutterworth	tbc	tbc	tbc	tbc	tbc
Development , Highfield Street, Coalville	tbc	tbc	tbc	tbc	tbc
Airfield Farm Phase 2	tbc	tbc	tbc	tbc	tbc
Rural Workspace Phase 2	tbc	tbc	tbc	tbc	tbc
Score+ (Schools energy trading)	tbc	tbc	tbc	tbc	tbc
Invest to make - other LCC sites (farms, industrial)	tbc	tbc	tbc	tbc	tbc
Asset Invesment Fund Energy additions	tbc	tbc	tbc	tbc	tbc