Meeting: **Cabinet**

Date/Time: **Tuesday, 18 December 2018 at 2.00 pm**

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

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

Email: **matthew.hand@leics.gov.uk**

Membership

Mr. N. J. Rushton CC (Chairman)

Mr. R. Blunt CC	Mr. J. B. Rhodes CC
Mr. I. D. Ould CC	Mrs H. L. Richardson CC
Mr. B. L. Pain CC	Mr. R. J. Shepherd CC
Mrs. P. Posnett MBE CC	

SUPPLEMENTARY REPORT

Democratic Services ◦ Chief Executive's Department ◦ Leicestershire County Council ◦ County Hall
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Leicestershire County Council

CABINET – 18 DECEMBER 2018

PROVISIONAL MEDIUM TERM FINANCIAL STRATEGY 2019/20 - 2022/23

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to set out the proposed Medium Term Financial Strategy (MTFS) for 2019/20 to 2022/23, for consultation and scrutiny.

Recommendation

2. It is recommended that:

   (a) The proposed Medium Term Financial Strategy, including the 2019/20 revenue budget and capital programme, be approved for consultation and referred to the Overview and Scrutiny Committees and the Scrutiny Commission for consideration;

   (b) The Director of Corporate Resources, 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 potential Leicester and Leicestershire 75% Business Rates Retention Pilot in 2019/20, and subject to the acceptance of the submission made to the Government and the subsequent agreement by all member authorities to implement this;

      iii.) decide on the appropriate course of action for the Leicester and Leicestershire Business Rates Pool in 2019/20 and subject to agreement by all member authorities to implement this;

      iv.) approve expenditure relating to preparatory and investment costs for the High Needs Block Development Plan, to be funded by underspends in the 2018/19 revenue budget.

   (c) A further report is submitted to the Cabinet on 8th February 2019.

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 2019/20 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. To enable the County Council (alongside the pooling partners) to respond to the Ministry of Housing, Communities and Local Government in respect of the 75% Business Rates Pilot (if successful) or Business Rates Pool within 28 days from the draft Local Government Finance Settlement.

Timetable for Decisions (including Scrutiny)

6. The external consultation on the MTFS will take place from 18th December 2018 until 20th January 2019. The MTFS will be considered by the County Council's Overview and Scrutiny bodies between 16th and 28th January 2019. The Cabinet will then consider the comments of the scrutiny bodies and responses from the wider consultation process at its meeting on 8th February 2019. The County Council meets on 20th February 2019 to consider the final MTFS.

Policy Framework and Previous Decisions

7. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council on 21st February 2018. The County Council's Strategic Plan (agreed by the Council on 6th December 2017) outlines the Council's long-term vision for the organisation and the people and place of Leicestershire. The MTFS, along with other plans and strategies such as the Transformation Programme, aligns with and underpins the Strategic Plan.

Legal Implications

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

Resource Implications

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

10. The County Council is operating in an extremely challenging financial environment following nine years of austerity and spending pressures, particularly from social care. There is also significant uncertainty around future funding levels. Despite recent Government announcements that austerity is coming to an end, it is unclear how this will affect Local Government funding. Next year, 2019/20, will be the final year of the four-year Local Government Settlement and the position for 2020/21 onwards will be subject to a Comprehensive Spending Review in 2019 and the results of Government reviews on Fair Funding and the Business Rates Retention Scheme.

11. Delivery of the MTFS requires savings of £74m to be made from 2019/20 to 2022/23. This MTFS sets out in detail £34m of savings and proposed reviews that will identify further savings to offset the £20m funding gap in 2022/23. A further £20m of savings will be required to ensure that High Needs funding can be contained within the Government grant. Strong financial control, plans and discipline will be essential in the delivery of the MTFS.

12. To ensure that the MTFS is a credible financial plan, unavoidable cost pressures have been included as growth. By 2022/23 this represents an investment of £50m, primarily to meet the forecast increase in demand for social care. The MTFS also includes a £44m provision for pay and price inflation.

<u>Circulation under the Local Issues Alert Procedure</u>

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

<u>Officers to Contact</u>

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PART B

Autumn Budget 2018

14. On 29 October 2018 the Chancellor of the Exchequer delivered the Autumn Budget 2018. The Budget was largely positive, fitting with the Prime Minister's 'end of austerity' message. However, with a Comprehensive Spending Review due in 2019 Local Government impacts were largely constrained to 2019/20.

15. Growth forecasts were increased from the levels in the 2018 Spring Statement but at an average of 1.5% they are still at low levels on a historic basis. Despite the optimistic tone of the Budget the Chancellor will continue to have a difficult time managing the nation's finances and there will not be enough money to satisfy all the demands.

16. An extra £6.5m was announced for social care in 2019/20. £2.4m of this is winter pressures money that will be administered through the Better Care Fund. The amount and approach are identical to the additional funding received in the current year. The balance of £4.1m has been provided for adults and children's social care. This portion of the grant is not ring-fenced, but is expected to be used to "ensure that adult social care pressures do not create additional demand on the NHS" and to improve the "social care offer for older people, people with disabilities and children".

17. Highways funding of £6.3 million was announced for local roads in 2018/19. The allocation is to tackle potholes, repair damaged roads, and invest in keeping bridges open and safe.

18. The Government continued its policy of increasing the National Living Wage (NLW) until it reaches 60% of median earnings by 2020. This will result in an increase in the NLW by 4.9% from £7.83 to £8.21 from April 2019.The Government also announced a consultation, to take place in 2019, for the Low Pay Commission's remit beyond 2020.

19. The National Productivity Investment Fund was increased in size and extended until 2023-24. This includes funding towards the roll-out of full fibre broadband, which could benefit Leicestershire.

20. The 'end of austerity' message does come with the caveat of securing a "good Brexit". This has not been defined.

Local Government Finance Settlement

21. The 2019/20 provisional Local Government Funding Finance Settlement is due to be released after the 11th December. At the time of writing the actual date had not been set.

22. In lieu of the actual Settlement the following assumptions have been made:

- Adherence to the four-year settlement starting in 2016/17 for all authorities which accepted the multi-year offer, which included the County Council. But no details beyond 2019/20.
- The Adult Social Care precept will be maintained at 6% in total over the three-year period ending 2019/20, allowing the County Council an increase of up to 1% in 2019/20.
- Core Council Tax increases of up to 2.99% will be allowed without a referendum.
- No changes to the New Homes Bonus (NHB) Grant or Business Rate retention.
- Revenue support grant reductions ("negative RSG") are partially reduced, in line with the Settlement consultation. This is worth £2.1m for the County Council.
- The outcome of the 2019/20 Leicester and Leicestershire Business Rate Pilot bid will be announced, although no benefit has been assumed at this stage.

23. The multi-year Settlement offer only relates to Revenue Support Grant (RSG) and Transitional Grant. Funding for services received through specific grants is not covered, for example: High Needs funding (Dedicated Schools Grant), the Better Care Fund, Public Health Grant and all capital grants.

24. Due to the funding announcements made by the Chancellor, as part of the Budget, it is unlikely that significant new grants will be announced.

Revenue Support Grant and Spending Power

25. 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, including the County Council, losing all of their RSG by 2019/20, with some having had no RSG since 2017/18.

26. Once RSG has been removed the MHCLG proposed to adjust Business Rates Top-up /Tariff amounts to reduce an authority's funding further. As a consequence the County Council was due to lose £2.1m from its Top-up in 2019/20.

27. Due to the controversy created by this "negative RSG" the Government has proposed to provide one-off funding to mitigate this reduction. The future position on this and other funding reductions will not be known until the Local Government Settlement in December 2019. In the absence of specific Government guidance the MTFS assumes that the same level of reductions (£10.7m) will continue to be applied in future years.

28. The inherent problem with the current Government 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.

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

	2015/16	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	56.2	37.0	19.5	8.5	0.0
% reduction	-21%	-34%	-47%	-56%	-100%

30. Combined with earlier cuts this has resulted in a cumulative real terms reduction in excess of £100m in government grants since 2010.

31. 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	56.2	37.0	19.5	8.5	0.0
Settlement Funding: Business Rates	60.5	57.4	58.7	61.0	60.5
Council Tax*	233.4	242.8	253.1	265.9	279.4
2% Council Tax for Social Care	0.0	4.8	10.0	18.6	22.4
Improved Better Care Fund**	0.0	0.0	9.5	12.4	14.8
New Homes Bonus	3.3	4.3	4.1	3.6	3.7
Transition Grant	0.0	3.3	3.3	0.0	0.0
Adult Social Care Support Grant	0.0	0.0	2.4	1.5	0.0
Core Spending Power	353.4	349.6	360.6	371.5	380.8

*DCLG forecasts of Council tax and Council tax base increases, which are lower than those used by the County Council.
** includes one off Social Care Grant announced in the Budget 2017

32. The table shows that after a reduction in 2016/17, ‘core spending power’ is expected to increase in cash terms by £27.4m (7.7%) by 2019/20. With inflation running at circa 3% each year this represents a real terms decrease.

<u>Comprehensive Spending Review and Fair Funding</u>

33. The Chancellor has announced the broad spending envelope for public services that will form the basis of the next Comprehensive Spending Review (CSR). The announcement confirmed the NHS will receive a greater than real terms increase in funding. On average all other Government departments are expected to

receive a real terms funding increase. Individual department allocations have not been confirmed and it is likely that there will be further differentiation between funding levels. A real terms increase would be an improvement on the current Local Government Settlement, but this is still a reduction on a per head of population basis.

34. The CSR is expected in 2019, probably in the autumn. The period of time this will cover is not known but it is unlikely to be 4 years, as Government will be reluctant to over commit before the next General Election, which is scheduled for May 2022 under the Fixed-term Parliaments Act.

35. The Local Government funding allocation will be announced as part of the CSR at a total level. This overall spending envelope will provide an indication of the pressure that Local Government will face in totality. However, at an individual council level the County Council will have to wait for the outcome of Local Government funding reforms to be announced.

36. The Government has announced that it is revising the way in which local government funding is calculated, with the aim of having a new system in place by 2020/21. Analysis undertaken by the County Council shows that Leicestershire is the lowest funded county area in England and one of the lowest funded areas in the whole country. If Leicestershire was funded at the same level as the London Borough of Camden, for example, an additional £330m of funding would be received each year.

37. This low funded position means that the scope to make savings is severely limited compared to other authorities. The County Council has developed an alternative, fairer, way of distributing resources and continues to lobby the Government to adopt this. A cross-party support group, the County Councils Network (CCN), is also backing the campaign for local government funding reform.

38. The Government has accepted many of the arguments put forward and has indicted a preference for a simpler system that recognises the relative need of areas, rather than just reflecting historic funding levels.

39. A consultation on Government's initial proposals is expected to be released alongside the Local Government Settlement. However, there will not be sufficient detail to judge the success of the County Council's Fair Funding campaign. The expectation is that this will only be known in December 2019.

Business Rates Retention Scheme

40. The previous Settlement issued by the Government in February 2018 includes uplifts to Business Rates "Top-Up" and "Baseline" figures of 2.0% in 2019/20. 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 2% each year, based on forecasts

of rises in the Consumer Price Index (CPI) which is used as the basis of business rates inflation.

41. Government has indicated its intention for a full reset of baselines in 2020/21. This will result in councils' share of accumulated growth being lost. This will cost the County Council £3m per annum due to the allowance for reduced funding described in paragraph 27, and the income to the Leicester and Leicestershire Enterprise Partnership (LLEP) from the Leicester and Leicestershire Business Rates Pool would reduce by c£8m.

42. 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 proposed to adjust the Top-Up for 2019/20. It is unlikely this reduction will now be made in 2019/20. However this is seen as a postponement, due to Government's decision to use one-off funding. As noted earlier in the report, it is anticipated that further reductions of around £10.7m will be applied to the Top-Up in 2020/21 and 2021/22 to reflect the continuation of austerity.

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

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Business Rates 'Top-Up'	39.7	40.5	41.3	42.1
'Top-Up' adjustment	0.0	-12.8	-23.5	-34.2
Business Rates 'Baseline'*	23.4	23.9	24.4	24.9
S31 grants - Business Rates	3.5	3.5	3.6	3.7
Total	66.6	55.1	45.8	36.5

*Business Rates Baseline is forecast to be £2.6m higher than the amount used by MHCLG in calculating the 'spending power'.

Business Rates Pooling

44. 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.

45. In 2018/19 the County Council along with Leicester City Council, the Combined Fire Authority and all seven Leicestershire District Councils continued the 'Leicester and Leicestershire Pool'. The latest estimates for the Pool show a potential surplus of £7.4m. 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 LLEP for investment in the wider sub-regional area.

46. In total £22m is forecast to have been retained in Leicestershire, since 2013/14 due to the success of the Pool.

47. Modelling of the Pool for 2019/20 is being undertaken and a decision on whether to continue with the Pool will be taken by the partners in early January 2019, should the Business Rate Pilot bid not be successful. Due to the strong position in 2018/19 continued pooling is expected to be beneficial.

75% Business Rate Retention

48. In July 2018 MHCLG announced plans to extend its business rates retention pilot programme for 2019/20, the proposed pilots reflecting the change, announced in December 2017, to ultimately target 75% local retention.

49. Pilot areas retain 75% of locally-collected business rates. The creation of the pilots will be "fiscally neutral" at baseline, but authorities will gain from retaining additional growth in their business rates income, above baseline growth. The safety net threshold for the pilots will be set at 95% of the baseline funding (instead of 92.5% as now). The Government has also confirmed that the pilots will not benefit from a 'no detriment' clause. Due to accumulated growth in Leicestershire this is unlikely to be an issue.

50. Modelling has been undertaken, with the current Pool partners, which shows a potential gain of £14m in 2019/20 if 75% of business rates are retained. As a result the Pool partners agreed to submit a bid to be a pilot (this was submitted to the Government on 25th September 2018). The bid proposes that the gain is used to provide investment in infrastructure, city and town centres and financial sustainability for partner areas.

51. Not all bids will be successful, due to an affordability constraint; hence there is a competitive process. The Government will announce the successful bids alongside the Local Government Settlement. If the bid is successful the current Pool will operate within the Pilot. However if the bid is unsuccessful, the Pool will operate under its current arrangements, subject to a final decision by the partners.

Council Tax

52. The draft MTFS is based on a 3.99% increase in Council Tax for 2019/20, which includes the additional 1% adult social care precept. Increases of 1.99% are assumed regarding 2020/21, 2021/22 and 2022/23. Over the next four years a total of £47m in extra Council Tax is expected to be generated.

53. 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 2019/20 will be a 3% rise in Council Tax. The 2% threshold is assumed to resume from 2020/21.

54. 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 is in addition to the council tax referendum thresholds and is “to be used entirely for adult social care”. The 2017/18 Settlement included flexibility to allow increases of 3% in 2017/18 and 2018/19, but the increases over 2017/18 to 2019/20 could not exceed 6%. The County Council increased Council Tax by 2% in 2017/18 and by 3% in 2018/19 regarding the “precept” and can therefore raise 1% more in 2019/20. The ability to raise the Adult Social Care precept is not assumed to be extended.

55. The proposed MTFS includes an assumption that the tax base will grow by around 2% in 2019/20 and then by 1.5% in each year. Final Council Tax base figures for 2019/20 will be provided by the District Councils in January 2019 and will be reflected in the report to the Cabinet on 8th February 2019.

56. The first year is expected to benefit from a review of discounts currently being undertaken by district councils. The majority of the benefits accrue to the County Council.

57. The District Councils are providing quarterly monitoring information on the forecast Collection Funds surplus/deficit position. At the end of September 2018 a surplus of around £1m for the County Council was reported and this income is reflected in the 2019/20 budget. Formal estimates for the surplus/deficit will be received in January 2019.

2019/20 - 2022/23 Budget

58. 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 2019/20 budget excluding DSG is detailed in Appendix B.

Provisional Budget	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
Services including inflation	330.2	355.1	368.0	381.0
Add growth	13.9	11.9	11.9	11.9
Less savings	-10.0	-8.8	-7.4	-4.0
	334.1	358.2	372.5	388.9
Central Items	31.1	12.3	3.0	3.0
Less savings	-0.6	-3.6	0.0	0.0
	364.6	366.9	375.5	391.9
Contributions to/from				
General Fund	5.8	1.7	0.0	0.0
Total Expenditure	**370.4**	**368.6**	**375.5**	**391.9**
Funding				
Revenue Support Grant	0.0	0.0	0.0	0.0
Business Rates	-66.6	-55.1	-45.8	-36.5

Council Tax	-303.8	-313.5	-324.5	-335.9
Total Funding	**-370.4**	**-368.6**	**-370.3**	**-372.4**
Shortfall	**0.0**	**0.0**	**-5.2**	**-19.5**

59. The MTFS is balanced in 2019/20 and 2020/21 and shows shortfalls of £5.2m in 2021/22 rising to £19.5m in 2022/23. As set out in paragraph 66 below there is a range of initiatives currently being developed that will aim to bridge the gap.

Savings and Transformation

60. Overall, savings of £74m are required over the period of the MTFS.

61. Savings of £34.4m have been identified with more expected over the next four years, 2019 to 2023, with £10.6m to be made in 2019/20. This is a challenging task especially given that savings of £200m have already been delivered over the last nine years. This has been largely driven by the real terms reduction in government grants, which is in excess of £100m since 2010. 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.

62. The main four-year savings are:

- Children and Family Services (£5.7m). This includes savings from increasing internal foster care provision and reviewing early help services.
- Adults and Communities (£5.9m). This includes managing demand and reducing costs of social care by reviewing personal budget allocations and contracts.
- Public Health (£1.1m). This includes savings from reviewing early help and prevention services.
- Environment and Transport (£2.6m). Savings include passenger transport service reviews, changes to Recycling and Household Waste Sites (RHWS) operations and the future residual waste strategy.
- Chief Executive's Department (£0.4m). This includes service reviews and a review of funding for economic development activity.
- Corporate Resources (£6.0m). This includes returns from the Corporate Asset Investment Fund, savings from "Fit for the Future", and an increased contribution from Commercial Services.
- Corporate/ Central Items (£12.7m). This includes savings from the Efficiency and Productivity Programme and a revised Minimum Revenue Provision. The Efficiency and Productivity saving totals £8m by 2022/23. This work will span all of the departments, but is likely to approach the delivery of savings in a variety of ways. The first programme of work is expected to be the development of a new operating model for adult social care. This has the potential to deliver the majority of savings included in the MTFS. Further savings are expected to be developed through the work of the Innovation Partner in the Children and Family Services and a series of challenge programmes facilitated by the Transformation Unit in other departments.

63. Of the £34m identified savings, efficiency savings account for £27m, and can be grouped into four main types*:*

    a) Reductions in senior management and administration (£1m)
    b) Better commissioning and procurement (£9m)
    c) Service re-design (£13m)
    d) Other (£4m)

64. It is estimated that the proposals would lead to a reduction of up to 300 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.

65. Further savings will be required to close the budget shortfall of £5.2m in 2021/22 rising to £19.5m in 2022/23.

66. 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:

    - Home First – care for people at home wherever possible to prevent hospital admissions and ensure timely discharge from hospital.
    - Place to Live – a programme of work to co-ordinate the Council's Adult Social Care accommodation strategies.
    - 0-19 Health Visiting and School Nurse service – explore new ways of delivery.
    - Schools Offer – explore which parts of Public Health services delivered to schools could be suitable for a traded offer.
    - Corporate Asset Investment Fund – further investment, leading to benefits to the local economy and generation of additional income.
    - Commercialism – review of new opportunities to trade and create a more commercial culture across the Council.
    - Efficiency and Productivity Programme (further savings) – work will span all departments, approaching the delivery of savings in a variety of ways.
    - Customer Service Centre – Review of practices following the new system implementation.

67. The development and ultimately 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.

68. In addition, the High Needs Block Development Plan will target cost reductions to ensure that the expenditure can be contained within the allocation through the Dedicated Schools Grant. Savings of £19.9m are planned over the MTFS period.

69. Having a well-planned proactive programme of change activity is essential given the County Council's low funding position. Coupled with strong performance across services, this has resulted in Leicestershire being named the most productive council in the country for the second successive year.

Transforming the Way We Work

70. Since its inception in 2014, over £45m of savings have been delivered through the Transformation Programme. The Programme is refreshed annually and as at December 2018 contains initiatives with a total future savings value in excess of £21m. This will be further affected by the MTFS refresh to 2022/23 and the ongoing implementation of the County Council's Strategic Plan.

71. The Programme is 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 control and challenge throughout the various stages of project progression and ensures changing priorities and new opportunities can be incorporated.

72. The Programme has effective governance and assurance mechanisms, which ensures regular reporting to Members though the Transformation Board. This reporting provides the assurance that savings initiatives are progressing from early design and into delivery, and ensuring that anticipated benefits are being realised.

73. The implementation of the County Council's Strategic Plan is bringing about opportunities to focus on the Council's strategic priority outcomes and to align investment, productivity and performance to delivering these outcomes.

74. Ensuring the Transformation Programme reflects these priorities for the County Council will help to continue the pursuit of service delivery and efficiency savings, and also ensure the aligned investment of effort and resources towards ensuring 'a sustainable and successful organisation leading modern, highly effective services'.

75. A key emphasis for the new MTFS is a focus on internal efficiency and productivity, spanning the County Council through a series of priority areas of work. Through evidence-based strategic challenge, this work will begin to capture new opportunities to be delivered through practice-based change and the utilisation of new technology, digital innovation and best practice. Early areas of focus for this work are included within the Savings Under Development, with further opportunities to be identified.

Growth

76. Over the period of the MTFS, growth of £49.7m is required to meet demand and cost pressures with £13.9m required in 2019/20. The main elements of growth are:

    - Children and Family Services (£10.5m). This is mainly due to pressures on the placements budget arising from increased numbers of Looked After Children, increased capacity within the Special Educational Needs Assessment Service (SENA) and Unaccompanied Asylum Seeking Children (UASC).

- Adult Social Care (£12.1m). This is largely the result of increasing numbers of people with learning disabilities and an ageing population with increasing care needs.
- Public Health (£0.7m). This is mainly due to reductions in the Public Health specific grant.
- Environment and Transport (£5.2m). This primarily relates to increased numbers of clients and costs on the Special Educational Needs (SEN) Transport budget.
- Corporate Resources (£0.9m). This mainly relates to ICT issues.
- Corporate Growth (£19.9m). This has been included to act as a contingency for potential further cost pressures, based upon historic levels of growth.

77. There are continued pressures within the Children and Family Services budget in respect of the cost of placements for looked after children and agency social workers largely as a result of a competitive recruitment market making recruitment difficult. This reflects the national position.

78. The number of Looked After Children (LAC) continues to increase both nationally and within Leicestershire. The 2018/19 MTFS was based upon an expectation of 610 LAC and for growth of circa 8% per annum. Based upon current trends it is expected that the number of LAC in March 2019 will be 600, which is an increase of 13%. A number of actions implemented in 2018, including the management of high cost places, the increased challenge to the type of placement and the introduction of a therapeutic wrap-around service - Multi-disciplinary Intervention Support Team Leicestershire (MISTLE) - are beginning to have an impact. This is particularly evident in the number of residential placements, which are projected to fall from 70 to 55. Overall the number of children in foster placements is forecast to increase from 364 to 373, however as a result of Staying Put legislation (enabling young people to remain with foster carers after the age of 18) and the Southwark Judgement (on responsibility for homeless 16-17 year olds) the number of children in semi-independent living has grown from 33 to 54.

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

Inflation

80. The Government's preferred measure of inflation is the Consumer Price Index (CPI). In October 2018 this was 2.4% and the Office for Budget Responsibility (OBR) predicts it will reduce to around 2.0% in 2019/20 and 2020/21 before increasing slightly to 2.1% in 2021/22 and 2022/23. The OBR predicts that the Retail Prices Index (RPI) will reduce from its current level of 3.3% to around 3.1% in 2019/20 and 2020/21 and then increase slightly to 3.2% in 2021/22 and then fall slightly again to 3.1% in 2022/23.

81. However, the Council's cost base does not always reflect these household inflation measures. Energy and fuel increases, for example, have a much more significant impact on its procurement. The draft MTFS assumes 3% per annum inflation over the period 2019/20 to 2022/23. More recently, social care costs

have been driven up by the introduction of the NLW, for which an additional provision has been made.

82. Local Government employers made a two-year pay offer on 5 December 2017 of 2% for each year 2018/19 and 2019/20. The pay offer included larger increases for the lower scale points. The MTFS provides for the cost of the pay offer for 2019/20. A 2% assumption has been included for pay awards from 2020/21.

83. The central inflation contingency includes provision for an increase of 1% each year in the employer's pension contribution rate, in line with the requirements of the actuarial assessment.

84. Detailed service budgets for 2019/20 are compiled on the basis of no pay or price increases. A central contingency for inflation is be held, which will be allocated to services as necessary.

Central Items

85. Interest income relating to Treasury Management investments is budgeted at £2.8m in 2019/20 and later years. This reflects the expectation that Bank of England base rates will remain at a low level for the foreseeable future.

86. Capital financing costs are expected to decrease to £19.4m per annum in 2022/23 (from £22.5m in 2018/19), mainly as a result of the proposed change to the minimum revenue provision outlined below.

87. The budget includes time-limited provision for revenue funding of capital expenditure, mainly for the Corporate Asset Investment Fund, as described later in the report, of £31.4m in 2019/20, £6.6m in 2020/21and £0.7m in 2021/22 and 2022/23.

88. 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 £10.5m per annum. The 4% relates to the rate at which the Government provided support to the Authority through RSG.

89. 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.

90. 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 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 £4m has been included in the MTFS from 2020/21.

Health and Social Care Integration

91. Health and Social Care Integration continues to be a top priority for both the County Council and its NHS partners. 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.

92. The direction of travel from a policy point of view is that local health and care systems will ‘evolve’ from Sustainability Transformation Partnerships into Integrated Care Systems, and that the new NHS 10 Year Plan, which is expected to be published towards the end of Quarter 3 2018/19, will reinforce this expectation. Integrated Care Systems have no statutory basis and rest on the willingness of NHS organisations to work together to plan how to improve health and care. As they develop, it is expected that NHS partners will have:

- Shared accountability for performance of the health and care system.
- Shared accountability for funding across a defined population.
- More effective decision-making and governance structures across organisational boundaries.
- A more rigorous approach to population health management across the defined population/area.

93. The configuration of NHS organisations in Leicester, Leicestershire and Rutland (LLR) will be affected by these developments and discussions are already in progress to determine how local Clinical Commissioning Groups (CCGs) can operate as a more effective joint management team across the LLR geography. The increasing trend is for a single CCG to match the area of an Integrated Care System.

94. The Council has received funding from the NHS through the Better Care Fund (BCF) since 2014/15 in line with levels determined by Government. This NHS funding comes from CCG budgets, with the amount each CCG contributes to their local BCF pooled budget mandated by NHS England. The BCF’s purpose is to help the Council finance the delivery and transformation of integrated health and care services to the residents of Leicestershire, in conjunction with NHS partners.

95. In the spring budget of 2017, the Government made a non-recurrent, national grant allocation of £2bn, covering the three-year period 2017/18 – 2019/20. This along with on-going funding announced in the autumn 2015 spending review, is known as the improved Better Care Fund (IBCF). The IBCF is allocated to local authorities, specifically to meet social care need, assist with alleviating pressures on the NHS, with particular emphasis on improving hospital discharge, and stabilising the social care provider market. In addition, the autumn budget 2018 announced a national Winter Pressures Grant allocation of £240m which will be added to the existing IBCF funding for 2019/20. BCF funding for Leicestershire is set out in the table below:

	2017/18 £m	2018/19 £m	2019/20 £m
CCG Minimum Allocation	36.7	37.4	37.4
IBCF - Autumn 2015 review	Nil	5.6	11.4
IBCF (additional ASC allocation) - Spring 2017 Budget	9.5	6.8	3.4
IBCF (Winter Pressures) - Autumn Budget 2018	Nil	Nil *	2.4
Disabled Facilities Grant	3.3	3.6	3.9
Total BCF Plan	49.5	53.4	58.5

* The Council received a £2.4m allocation of winter pressures funding in 2018/19 but not through the IBCF.

96. The protection of adult social care services accounts for £17m of the CCG minimum allocation to the BCF. This funding is expected to continue and has been crucial in ensuring the Council can maintain a balanced budget, while ensuring that some of its most vulnerable users are protected, unnecessary hospital admissions are avoided, and delayed transfer of care performance is maintained.

97. In addition to funding set aside to protect social care service provision, a further £5m of BCF funding has been allocated for social care commissioned services. These services are aimed at improving safeguarding, mental health discharge, dementia support, crisis response and falls prevention. Any reduction in this funding would place additional pressure on the Council's MTFS. Without this BCF funding there is a real risk that the Council would not be able to manage demand or take forward the wider integration agenda. This is also a key consideration for senior officers when negotiating with CCG colleagues as part of the BCF Refresh.

98. The IBCF will contribute £39m, over the three-year period from 2017 to 2020. Of this, £25m will go towards addressing the significant demand and cost pressures faced by adult social care, including support for non-BCF change activity. In addition, there is an investment of £12m (non-recurrent) in new initiatives such as expanding the crisis response service to become a 24/7 provision, increasing capacity in the domiciliary care market, implementing Home First, providing an enhanced carers offer, and developing additional bed capacity (discharge to assess).

99. To support this agenda delivery of the Leicestershire Better Care Fund (BCF) is constructed using the following themes:

- Unified Prevention Offer
- Home First
- Integrated Housing Support
- Integrated Domiciliary Care
- Integrated locality teams
- Integrated Urgent Response
- Assistive Technology
- Data Integration
- Integrated Commissioning
- Falls Prevention.

Other Grants and Funds

100. There are a number of other specific grants that are still to be announced, none of which are protected by the four-year Local Government Finance Settlement, for example:

- Public Health – the 2019/20 allocation of £24.2m is a 2.6% reduction on the 2018/19 level, as expected.
- Skills Funding Agency – £3.4m in 2018/19, no details have been received for the 2019/20 academic year.
- Section 31 Business Rates (Government funding for 2% cap on business rates growth and other Government measures) – an estimate of £3.5m has been included in the MTFS.
- Independent Living Fund. Grant figures have been agreed for 2019/20 (£1.16m).
- Ministry of Justice Grants – details not yet known.
- Troubled Families Grant (see below) – to be confirmed, estimated at £0.8m.
- Schools Block Dedicated Schools Grant, provisional settlement of £387.4m, final settlement expected in December 2018.
- Central Schools Services Dedicated Schools Grant, provisional settlement of £3.3m, final settlement expected December 2018.
- High Needs Dedicated Schools Grant – provisional settlement of £66.1m, final settlement expected in June 2019.
- Early Years Dedicated Schools Grant – estimate of £34.3m, pupil rates have been confirmed and the final figure is expected in May 2019 when the final census data is known.
- New Homes Bonus – provisional estimate from the previous Settlement of £3.7m for 2019/20.

101. The Supporting Leicestershire Families (SLF) programme is currently funded through a combination of the revenue budget, contributions from County Council earmarked funds, partner funding and the Government's Troubled Families Grant. During the lifetime of the MTFS contributions from earmarked funds will be extinguished, savings are required as part of the Review of Early Help, and there are uncertainties over future partner contributions and grant funding. It is expected that partner and Government contributions will cease after current commitments have been met. This equates to a loss of £2.3m of income. The 2018/19 MTFS included setting aside £2m in an earmarked fund to allow the transition to a new model when Government and partner funding intentions are known.

Dedicated Schools Grant Settlement 2019/20

Schools Block

102. The Department for Education (DfE) has confirmed that the 'soft' school funding formula will be in place for 2019/20 and 2020/21. A 'soft' formula is where a National Funding Formula (NFF) calculates notional school allocations based upon pupil characteristics to which local authorities apply their own local funding formula to generate individual school budgets. The Leicestershire school funding

formula reflects the NFF and will remain unchanged for 2019/20. The 2019/20 Schools Block provisional DSG settlement is £387.4m, which is based upon the 2017 October school census. This will be updated to the October 2018 school census and reissued in December.

103. 2019/20 is the second year of the NFF. Schools will receive a minimum per pupil increase in funding of 0.5% and a maximum increase of 3%. Despite the overall increase in budget, at individual school level a number of schools remain on the funding floor with an increase of 0.5% per pupil. These schools, despite additional funding, will experience a real terms decrease in income. As the funding guarantee is at pupil level, schools with decreases in pupil numbers will see an overall decrease in budget allocation.

104. Within the Schools Block is a provisional funding allocation of £0.9m for the revenue costs of additional school places within new and expanding schools. The revenue cost of commissioning a new school ranges from £0.5m to £0.8m for a primary and £2.2m to £2.5m for a secondary, depending upon size and opening arrangements. 23 new primary and 2 new secondary schools are expected to be built in Leicestershire in the medium to long term. For 2019/20 the DfE has introduced a formula to replace the previous historic allocation, but the impact of the formula cannot be assessed until the full data from the 2018 October school census is known.

High Needs

105. The provisional High Needs DSG is £66.1m. This will be updated in December and again in June 2019 for the most recent data. The formula allocates funding across a set of pupil-related indicators and also includes an allocation based on historic spend. For Leicestershire this is a minor increase in funding but includes circa £4.3m of protection funding, which is not guaranteed in the long term. The following table sets out the summarised income and expenditure position based on current estimated service demand and includes savings targets based upon the delivery of the proposed High Needs Block Development Plan (the Plan);

High Needs Forecast	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**
High Needs DSG	-65.179	-66.080	-66.080	-66.080	-66.080
Estimated Expenditure	68.945	73.079	75.692	78.547	80.080
Total Potential Savings	0.000	-2.653	-7.251	-12.467	-19.852
Revised Expenditure	68.945	70.426	68.441	66.080	60.228
Annual Funding Gap	3.766	4.346	2.361	0.000	-5.852
Funded from Reserve	-2.228				
Cumulative Funding Gap – DSG Deficit	**1.538**	**5.884**	**8.245**	**8.245**	**2.393**

SEND Development Plan Costs	**0.296**	**1.756**	**1.046**	**0.030**	**0.000**
Revised DSG Deficit	**1.834**	**7.640**	**9.291**	**8.275**	**2.393**
Total DSG Deficit %	**0%**	**2%**	**2%**	**2%**	**0%**

106. With no actions the annual overspend on the grant in 2022/23 is estimated to be £14m; this equates to a cumulative cash shortfall of £44m. The Plan targets alignment of expenditure and grant funding in 2021/22, with the deficit fully recovered by 2023/24. The Plan includes focused activities on three key areas:

i) To develop and embed an inclusive approach and practice amongst schools, local authority staff and other settings

ii) The modernisation of SEN services through:

- Improved (joint) commissioning
- Improved processes and decision making
- Improved quality and assurance
- Digitisation to support improved partnership working

iii) The development of a range of cost effective, high quality provision for children and young people with special educational needs:

- SEN units attached to mainstream schools
- Development of special schools
- Expansion of existing, or new build, area special school
- Development of further education provision.

107. The current estimate of the capital requirement is circa £32m, of which £10m relates to a new area special school - included in the future developments programme. The funding strategy for the programme consists of a mixture of funding sources including Basic Need Grant, a bid to the DfE for funding for a Free School, capital receipts and County Council resources.

108. A DSG deficit can be carried forward to the following year with the approval of the Schools Forum. Should approval not be granted then adjudication can be sought from the Secretary of State. The Plan was considered by the Schools Forum on 26 November and approval was granted to carry forward the 2018/19 deficit to 2019/20. The approval relates to the 2018/19 deficit only: annual approval will need to be sought for future deficits. It will also be necessary to submit an annual report to the DfE on the actions taken to ensure expenditure does not exceed grant.

109. A report of the Director of Children and Family Services on the Plan is also on the agenda for this Cabinet meeting.

Central Services Block

110. The central services block funds a number of school related expenditure items such as existing school-based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic costs.

111. For 2018/19 this block will also include funding for the retained duties that local authorities have for statutory duties for all schools such as ensuring sufficient supply of school places. The 2019/20 provisional settlement is £3.3m, an increase of 1.6%

Early Years Block

112. There are no changes to the Early Years Block. Grant remains determined by the number of children participating in early years education. The funding will supports the 30 hours Free Entitlement to Early Education (FEEE) for eligible parents and continued delivery of the early years offer for disadvantaged two year olds. The rate of funding is unchanged from 2018/19 at £4.30 per hour; a maximum of 5% of the overall settlement is retained to fund the early learning service which fulfils local authority's statutory duty to ensure sufficiency of places for those parents that request one.

Budget Consultation

113. 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 18th December 2018 until 20th January 2019.

Earmarked Funds and Contingency

114. The General Fund balance is available for unforeseen risks that require short term funding. The forecast balance on the General Fund (non-earmarked fund) at the end of 2018/19 is £16m which represents 4.4% of the net budget (excluding schools' delegated budgets). It is planned to increase the General Fund to £23m by the end of 2020/21 to reflect increasing uncertainty and risks over the medium term. These risks come in a variety of forms:

- Legal challenges such as judicial reviews that require a change in savings approach. Or national matters, such as the pay rates for sleep-in shifts that could generate back dated costs.
- Legislative changes that come with a financial penalty, for example general Data Protection Regulations (GDPR).
- Service provision issues that require investment, for example the capital investment to support the High Needs Block Development Plan.

115. To put the level of resources into context: with the exclusion of schools, the County Council spends nearly £50m a month.

116. The proposed MTFS also includes a contingency of £8m in 2020/21 and later years for other specific key risks that could affect the financial position on an ongoing basis. Examples include:
- The non-achievement of savings.
- Certainty of partner funding, for example the provision of services through the BCF.
- Uncertainties over the future levels of Government funding and grants, including the New Homes Bonus grant and Public Health grant.
- Pressure on demand led-budgets particularly in social care.
- Maintaining the level of investment required to deliver savings.

117. No contingency is held for 2019/20 due to greater certainty of expenditure plans and funding. When the contingency is released ‘free’ resources are directed toward the Future Developments earmarked fund to reduce the shortfall in capital funding discussed later in this report.

118. Other earmarked funds for revenue purposes (excluding schools’ balances and partnerships), estimated at £27.3m by March 2019, are held for specific purposes including insurance, change initiatives, severance costs, invest to save schemes and renewals of vehicles and equipment. Earmarked funds are also held for capital purposes and are estimated at £92.1m by March 2019.

119. KPMG, the County Council’s external auditor, reviews the level of earmarked and non-earmarked funds held by the County Council as part of its annual Value for Money review. For the 2018-22 MTFS it reported: “The level of reserves are appropriate for the size of the organisation given the continued uncertainties and risk that lie ahead for the whole sector and the individual pressure and challenges the Authority faces in the short to medium term. The Authority will need to continue to keep the level of reserves under review on a periodic basis as its reserve requirements change.”

Concluding Comments – Revenue Position

120. There are significant uncertainties that could change the financial gap facing the County Council. These can be summarised as uncertainty over funding, cost growth and delivery of savings.

121. Funding uncertainties are predominately driven by Government. Despite the positive “end of austerity” message it is likely that some funding streams will reduce, for example the planned reset of the Business Rate Baseline will remove the benefit of growth. In line with previous practice the MTFS assumes the continuation of austerity, but the accuracy of this assumption is less certain than previous years. In addition, the position on some specific grants after 2019/20 is uncertain.

122. Cost growth manifests itself as either inflationary pressures or service growth. Service growth primarily relates to a growing and ageing population and a large increase in school-age children requiring support, which put huge demands on social care and SEND services. Increases in the National Living Wage have been the main driver of inflationary pressure; these increases are announced on

an annual basis. Cost pressures are the highest for several years, the County Council's transformation activity needs to bring increases under control at the same time as delivering saving initiatives.

123. Successful delivery of savings is dependent upon a range of factors, not all of which are in the control of the County Council. All savings included in the MTFS have had an initial deliverability assessment so that a realistic financial plan can be presented. Saving initiatives that are classified as Savings Under Development have not been included in the MTFS. Hence successful development of these savings would contribute to closing the shortfall.

124. In additional to these direct uncertainties the County Council is not insulated from financial difficulties of partner organisations. Currently the County Council's ongoing financial plans include circa £35m of funding related to the BCF. Even a partial loss of this funding would be difficult to manage.

125. Schools and academies are under significant financial pressure; this could affect the County Council through its statutory responsibilities relating to education, for example to ensure the provision of sufficient school places. This pressure also increases the risk of lost commercial income, as schools and academies are the Authority's main commercial trading partner.

126. The delivery of the MTFS will be challenging. Some local authorities, which 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.

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

- The absolute need to deliver the savings in the MTFS. The key risks are the technical difficulty of some projects and the public acceptance of some savings.
- The need to have very tight control over demand-led budgets in children's and adults' 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.
- The need to manage other risks that could affect the Authority's financial position. These include costs currently being borne by the NHS shifting to local authorities and loss of trading income.

128. The County Council will be a very different organisation by 2023. It needs to be still more innovative, risk aware and commercial in its approach. The plan is deliverable and the MTFS can be balanced over the medium term.

129. Before a further MTFS report is considered by the Cabinet on 8th February 2019 the provisional MTFS will be reviewed and if appropriate updated in light of the latest budget monitoring position for 2018/19.

Capital Programme 2019/20 to 2022/23

130. The draft capital programme totals £380m over the four years 2019 to 2023 and is shown in detail in Appendix F. The programme is funded by a combination of Government grants, capital receipts, external contributions and revenue balances and earmarked funds.

131. The draft programme and funding is shown below:

Draft Capital Programme 2019-23

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Children and Family Services	24,660	26,370	29,670	18,380	99,080
Adults and Communities	8,700	4,560	3,630	3,630	20,520
Environment and Transport	47,020	61,710	39,660	22,980	171,370
Chief Executive's	710	5,030	5,820	100	11,660
Corporate Resources	6,180	790	250	70	7,290
Corporate Programme	43,800	16,040	4,800	5,750	70,390
Total	131,070	114,500	83,830	50,910	380,310

Capital Resources 2019-23

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Grants	55,508	61,881	67,755	33,634	218,778
Capital Receipts from sales	580	8,553	1,553	1,553	12,239
Revenue/ Earmarked funds contributions	68,830	24,861	4,153	10,075	107,919
Earmarked Capital funds	0	5,472	0	0	5,472
External Contributions	6,152	13,733	10,369	5,648	35,902
Total	131,070	114,500	83,830	50,910	380,310

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

- To invest in priority areas including roads, infrastructure, economic growth and projects that generate a positive revenue return.
- 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, section106 developer contributions and other external funding agencies.
- No or limited prudential borrowing (only if the returns exceed the borrowing costs).

133. 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 will be assessed against the balance of available resources (£25m) and included in the capital programme as appropriate.

Funding and Affordability

Capital Grants

134. Grant funding is the largest source of financing for the capital programme and totals £219m across the 2019-23 programme. The majority of grants are awarded by Government departments including the DfE and the Department for Transport (DfT).

Children and Family Services

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

a) Basic Need – this grant provides funding for new pupil places by expanding existing schools and academies or 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 area. The DfE has announced details of the grant awards for 2019/20 (£11.5m) and 2020/21 (£8.8m). No details have been announced for future years. An estimate of £10m per annum has been used for 2021/22 and 2022/23.

b) Strategic Capital Maintenance – this grant provides the maintenance funding for the maintained school asset base. Details of the grant for 2019/20 and future years have not yet been announced. An estimate of £8.3m (in total) has been included in the capital programme for 2019/20 to 2022/23. 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 £2.1m for 2019/20 to 2022/23.

d) Special Provision Fund – DfE grant allocations of £1.9m for 2019/20 and 2020/21 have been confirmed.

e) DfE - New (Free) School bid – the programme funding includes an estimate of £8m in grant funding, subject to DfE approval, to fund a new Social, Emotional and Mental Health special school in 2021/22 required as part of the High Needs Development plan. If the bid was unsuccessful the requirement would need to be funded from the capital programme.

Environment and Transport

136. The DfT has informed local authorities of the amounts they will receive in capital grant for the Local Transport Plan (LTP) for 2019/20. Estimates have been included for 2020/21 to 2022/23 at the same rate as 2019/20. The funding has two elements:

a) Improvement Schemes - grant funding of £10.9m (£2.7m per annum).
b) Maintenance funding - grant funding of £45.8m (£11.4m per annum)

137. Other significant capital grants included are:

- DfT Melton Mowbray Distributor Road funding - £49.5m.
- LLEP Local Growth Fund - £12m.
- DfT Incentive Fund - £9.5m. Funding to reward local authorities which can demonstrate they are 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 estimated to be that applicable for a score at level 3 (out of 3).
- DfT Pothole Fund £2.9m – indicative allocations in line with previous years.
- National Productivity Investment Fund - £2.8m.

Chief Executive's

138. The programme includes capital grant of £5.6m for an extension of the Superfast Broadband phase 3 programme from the Rural Development Programme (part of the Department for Environment, Food and Rural Affairs – DEFRA).

Capital Receipts

139. The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £12m across the four years to 2022/23. Actual capital receipts are estimated to be £21m. However this includes £9m in delayed receipts budgeted to fund the 2018/19 capital programme that will be received in 2019/20.

140. The estimate includes 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 25% (equates to £4.7m) of future sales subject to planning permission has been included.

Revenue / Earmarked Funds/ Contributions

141. 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 £108m has been included in the draft programme funded from:

Capital Financing Earmarked Fund	£42m
One-off MTFS 2019-23 revenue contributions	£17m
Departmental Earmarked Funds	£5m
Future Developments Fund – Additional Schemes	£39m
Future Developments Fund – Supplementary funding	£5m
Total	£108m

142. The capital financing earmarked fund temporarily holds previous years' revenue contributions to fund the capital programme until they are required. The balance includes £2m for Environment and Transport (E&T) set aside from the 2018/19 forecast underspend, and a contribution to the E&T revenue budget for the substitution of £13m in E&T capital grants.

143. Future developments funding for additional projects (projects promoted from the future developments programme) totals £39m. This includes:

- £10m for the forward funding of section 106 contributions to fund the Melton Mowbray Distributor Road,
- £7.5m New Waste Transfer Station,
- £5.7m contribution towards the High Needs Development Plan.
- £4.5m Kibworth RHWS redevelopment and other RHWS site improvements
- £3.7m for development of Hamilton Court / Smith Crescent Care Home
- £3.0m Fit for the Future programme (of a total of £5m)
- £2.3m Highways Maintenance (of a total of £5m)
- £1.5m Supported Living accommodation, Great Glen
- £0.8m Watermead Park Bridge

144. Supplementary funding is required where schemes cannot be fully funded by alternative sources, such as grants. Examples of this are the replacement of operational assets, such as the vehicle replacement programme and ICT systems.

External Contributions and Earmarked Capital Funds

145. A total of £41m is included in the funding of the capital programme 2019-23, from section 106 developer contributions (£36m) and earmarked capital receipts (£5m).

Prudential Borrowing

146. The Council is able to finance new capital expenditure by undertaking prudential (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 unsupported borrowing is included in the funding of the 2019-23 programme. The County Council's current level of external debt is £264m, which costs circa £23m 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 by circa 5% per annum of the amount borrowed.

Departmental Programmes

Children and Family Services

147. The draft programme totals £99m over the four years 2019/20 to 2022/23. The priorities for the programme are informed by the Council's School Place Planning Strategy and investment in SEND as part of the High Needs Development Plan, explained earlier in this report.

148. The programme includes £65m investment to build accommodation where additional pupil places are needed, £22m investment in SEND to provide a range of cost effective, high quality provision for children and young people with SEN, including a bid to build a new special school subject to DfE approval, and school improvements (£12m) through the strategic capital maintenance and schools devolved capital funds.

Adults and Communities

149. The draft programme totals £21m.

150. The programme includes £15m relating to the BCF, Disabled Facilities Grant (DFG) programme, where funding is passported to District Councils to fund major housing adaptations in the County for vulnerable people to stay safely in their own home.

151. The programme also includes capital investment in the development of Hamilton Court / Smith Crescent in North West Leicestershire, to provide supported living accommodation, short breaks and community life choices on the site (£3.7m) and the refurbishment of Brookfields, Great Glen, acquired in 2018/19, to provide supported living accommodation (£1.5m).

Environment and Transport

152. The programme totals £171m over the four years 2019-23. The main areas are:

- Melton Mowbray Distributor Road - £62m. Construction of new road is partly funded by £50m DfT grant and the balance is funded by developer contributions that will be received after the road is completed. Discussions are ongoing with Melton Borough Council about sharing the risk of forward funding the developer contributions.
- Transport Asset Management Programme - £54m. This ensures that 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 Department.
- Anstey Lane A46 improvements, £4m. (Total scheme £9m, of which £5m programmed in 2018/19)

- M1 Junction 23 improvements, £20m (total scheme £25m of which £5m is programmed in 2018/19).
- County Council Vehicle Programme - £8m. Investment in new vehicles to replace aged vehicles and reduce running costs.
- Advanced Design work - £7m. A programme of advanced design works to support future major transport schemes and bids to the DfT and LLEP for funding.
- The Environment and Waste programme totals £12m and includes a new Waste Transfer Station Development (£8m), redevelopment works at Kibworth Recycling and Household Waste Site (£3m), and a programme of general improvements, including resurfacing, security, safety and drainage, across the other recycling and household waste sites.

Chief Executive's

153. The programme totals £12m.

154. The main scheme is the Rural Broadband Phase 3 programme, £11m. The project will be expanded following a recent government grant awarded for £5.6m to further extend superfast rural broadband. The funding includes £2m underwriting by the County Council pending repayment from BT in 2023.

155. The departmental programme also includes Shire Community Grants, totalling £0.4m across the four years to 2023.

Corporate Resources

156. The programme totals £7m for 2019-23 with the main priorities for investment being:

- Fit for the Future, £3m – investment in the replacement of the Council's core ERP (software) system which is in addition to £2m investment in 2018/19.
- Investment in the ICT upgrade and replacement programme, £2m, including the replacement of the local area network and storage area network.
- Workplace Strategy, £1m – investment in County Council buildings to deliver ongoing revenue savings (£0.3m per annum by 2022/23).
- Watermead Park, £0.8m, new footbridge, jointly funded with Leicester City Council and the LLEP, to improve connectivity between the two parks.

Corporate Programme

157. The corporate programme totals £70m for 2019-23. The main area is the investment in the Corporate Asset Investment Fund (CAIF), totalling £67m, of property and land assets to improve economic development, replace assets sold to generate capital receipts, and generate ongoing revenue returns. The CAIF programme includes allocations for Industrial Properties and County Farms for general improvements (£2m).

158. Other investments within the corporate programme include the Energy and Water Strategy (£3.4m) to reduce energy consumption across the Council's property estate to deliver ongoing efficiency savings and reduce carbon emissions.

159. The CAIF programme has an original target of growing to £200m by the end of the MTFS. Existing holdings plus named projects in the draft capital programme for 2019-23 will result in a CAIF investment of £183m. The balance of £17m has been included in the draft programme as future asset acquisitions.

160. Further investment opportunities have been identified that could increase the overall CAIF programme to £260m. These are at very early stages and have therefore not been included within the draft four-year capital programme. Given the overall availability of discretionary capital resources and the estimated calls on the Future Developments fund, it is likely that these projects would require prudential borrowing. This would only be considered where the investment returns would cover the additional borrowing costs.

Future Developments Fund

161. The estimated balance of available funds for future developments between 2019/20 and 2022/23 totals £25m. This is after the following changes to the fund:

Previous estimated balance to 2023 (period 6 18/19)	£40m
Add MTFS 2019-23 one off revenue contributions	£15m
Add new grants / Budget 2018	£14m
Less Funding transferred to main capital programme 2019-23	(£44m)
Balance Available	£25m

162. During Autumn 2018 three new grants were announced for social care, winter pressures and highways maintenance. These grants have been transferred to the future developments fund for capital initiatives that will reduce ongoing revenue costs.

163. The remaining balance on the Future Developments fund is held to contribute towards schemes that have been identified but are not sufficiently detailed for inclusion in the capital programme at this time. There is a long list of projects that may require funding over the next 4 years. These include investment in infrastructure for schools and roads arising from increases in population, investment in health and social care service user accommodation, highways match funding of capital bids, investment in community speed enforcement (depending on the outcome of the pilot), a new records office and collections hub, and investment for the efficiency and productivity programme. The list of future developments is continually refreshed.

164. The latest estimate of funding required is £94m, compared with the funding available, £25m. This leaves a potential shortfall of £69m.

165. Closing the gap by taking on new loans is not the preferred option, as this increases the requirement for future savings. The position will managed through

prioritisation and where possible the identification of alternative funding sources. Financial modelling is being completed and all potential income streams are being considered including contributions from partners. It is expected that this situation can be avoided as over the course of the MTFS one or more of the following opportunities will arise:

- Underspends on the County Council revenue budget.
- Unexpected grants are received to replace previously earmarked County Council resources.
- Temporary use of the cash supporting earmarked funds in advance of it being required, rather than making short term cash investments.
- Utilising the annual provision (MRP) made for the repayment of debt that is not required until the 2040s. This would avoid £6.5m per annum of borrowing.
- Delay some of the expenditure until resources are available.

166. This approach forms part of the wider strategy to ensure that the capital programme is deliverable, affordable and the risks are understood, in line with CIPFA’s requirements.

Capital Summary

167. 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.

168. 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.

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

170. Additional Government investment in housing and infrastructure is increasingly subject to a competitive bidding process and areas with devolution deals are likely to be preferred. For the County Council to access additional funding other organisations, such as the LLEP, need to be operating effectively.

171. The potential shortfall on the future developments programme will continue to be monitored closely and opportunities taken to reduce the gap.

Equality and Human Rights Implications

172. 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.

173. 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 that decision-makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic.

174. 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

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

Environmental Implications

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

Partnership Working and Associated Issues

177. 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

178. 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

Report to the County Council on 21st February 2018: Medium Term Financial Strategy 2018/19 - 2021/22
http://politics.leics.gov.uk/documents/s135701/MTFS%20report.pdf

County Council Strategic Plan
https://www.leicestershire.gov.uk/about-the-council/council-plans/the-strategic-plan

Appendices

Appendix A: Four Year Revenue Budget 2019/20 to 2022/23
Appendix B: 2019/20 Revenue Budget
Appendix C: Savings 2019/20 to 2022/23
Appendix D: Savings under Development
Appendix E: Growth 2019/20 to 2022/23
Appendix F: Capital Programme 2019/20 to 2022/23

APPENDIX A

2019/20 - 2022/23 REVENUE BUDGET *

	TOTAL 2018/19	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2019/20	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2020/21	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2021/22	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2022/23
Spending	**£000**	£000	£000	£000	**£000**	£000	£000	£000	**£000**	£000	£000	£000	**£000**	£000	£000	£000	**£000**
Services :																	
Children & Family Services	**70,467**	1,406	4,470	-2,425	**73,919**	0	1,635	-1,925	**73,629**	0	2,100	-670	**75,059**	0	2,300	-700	**76,659**
Adults & Communities	**132,191**	4,657	5,200	-4,335	**137,713**	0	2,670	-640	**139,743**	0	2,230	-325	**141,648**	0	2,040	-600	**143,088**
Public Health **	**-703**	87	650	-520	**-486**	0	20	-570	**-1,036**	0	20	0	**-1,016**	0	0	0	**-1,016**
Environment & Transport	**63,281**	2,810	2,390	-1,495	**66,986**	64	920	-545	**67,425**	0	980	-210	**68,195**	0	860	-370	**68,685**
Chief Executives	**9,938**	480	315	-110	**10,623**	0	60	-165	**10,518**	0	0	-75	**10,443**	0	0	0	**10,443**
Corporate Resources	**31,059**	1,776	910	-815	**32,930**	0	0	-920	**32,010**	1,000	0	-4,025	**28,985**	0	0	-250	**28,735**
	306,234	11,216	13,935	-9,700	**321,684**	64	5,305	-4,765	**322,288**	1,000	5,330	-5,305	**323,313**	0	5,200	-1,920	**326,593**
DSG (Central Dept recharges)	**-922**				**-922**				**-922**				**-922**				**-922**
Carbon Reduction Commitment	**275**	-275			**0**				**0**				**0**				**0**
Other corporate growth & savings	**-250**	250	0	-300	**-300**		6,600	-4,050	**2,250**		6,600	-2,050	**6,800**		6,700	-2,050	**11,450**
MTFS Risks Contingency	**0**	0			**0**	8,000			**8,000**				**8,000**				**8,000**
Contingency for inflation/ Living Wage	**14,955**	-1,325			**13,630**	12,950			**26,580**	8,800			**35,380**	8,400			**43,780**
	320,292	9,866	13,935	-10,000	**334,093**	21,014	11,905	-8,815	**358,197**	9,800	11,930	-7,355	**372,572**	8,400	11,900	-3,970	**388,902**
Central Items:																	
Financing of capital	**22,500**	600		-500	**22,600**	100		-3,500	**19,200**	100			**19,300**	100			**19,400**
Revenue funding of capital	**28,500**	2,860			**31,360**	-24,800			**6,560**	-5,830			**730**				**730**
Central expenditure	**3,027**	-95		-100	**2,832**	-50		-40	**2,742**			-40	**2,702**			-40	**2,662**
Central grants and other income	**-13,344**	-12,975			**-26,319**	6,538			**-19,781**				**-19,781**				**-19,781**
Total Spending	**360,975**	256	13,935	-10,600	**364,566**	2,802	11,905	-12,355	**366,918**	4,070	11,930	-7,395	**375,523**	8,500	11,900	-4,010	**391,913**
Contributions to/from General Fund	0				5,806				1,651				0				0
Budget Requirement	**360,975**				**370,372**				**368,569**				**375,523**				**391,913**
Funding																	
Revenue Support Grant	**-8,549**				**0**				**0**				**0**				**0**
Business Rates - Top Up	**-38,929**				**-39,674**				**-27,630**				**-17,740**				**-7,870**
Business Rates Baseline/Retained	**-22,200**				**-23,438**				**-23,949**				**-24,430**				**-24,920**
S31 grants - Business Rates	**-2,266**				**-3,460**				**-3,530**				**-3,600**				**-3,670**
Collection Fund net deficit / (surplus)	**-3,556**				**-1,000**				**0**				**0**				**0**
Council Tax	**-285,475**				**-302,800**				**-313,460**				**-324,500**				**-335,920**
	-360,975				**-370,372**				**-368,569**				**-370,270**				**-372,380**
VARIANCE	**0**				**0**				**0**				**5,253**				**19,533**
Band D Council Tax	*£1,242.60*				*£1,292.18*				*£1,317.90*				*£1,344.12*				*£1,370.87*
Increase	*5.99%*				*3.99%*				*1.99%*				*1.99%*				*1.99%*

* provisional for 2020/21 and later years

** net budget after Public health grant

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APPENDIX B

REVENUE BUDGET 2019/20

	Base including inflation	Growth	Savings	TOTAL
	£000	**£000**	**£000**	**£000**
Spending				
Services :				
Schools *				0
Children & Family Services	71,874	4,470	-2,425	73,919
Adults & Communities	136,848	5,200	-4,335	137,713
Public Health **	-616	650	-520	-486
Environment & Transport	66,091	2,390	-1,495	66,986
Chief Executives	10,418	315	-110	10,623
Corporate Resources	32,835	910	-815	32,930
	317,449	13,935	-9,700	321,684
Dedicated Schools Grant (Central Dept recharges)	-922	0	0	-922
Other corporate growth & savings	0	0	-300	-300
Contingency for inflation/ Living Wage	13,630	0	0	13,630
	330,158	13,935	-10,000	334,093
Central Items:				
Financing of capital	23,100	0	-500	22,600
Revenue funding of capital	31,360	0	0	31,360
Central expenditure	2,932	0	-100	2,832
Central grants and other income	-26,319	0	0	-26,319
Total Central Items	31,073	0	-600	30,473
Total Spending	**361,231**	**13,935**	**-10,600**	**364,566**
Contribution to General Fund				5,806
Budget Requirement				**370,372**
Funding (provisional)				
Revenue Support Grant				0
Business Rates - Top Up				-39,674
Business Rates - Top Up adjustment				0
Business Rates Baseline / retained				-23,410
S31 grants - Business Rates				-3,460
Collection Fund net deficit / (surplus)				-1,000
Council Tax				-302,800
				-370,344
Council Tax				
Council Tax Base (provisional)				234,334.95
Band D Council Tax				£1,292.18
Increase on 2018/19 (£1,242.60)				3.99%

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

** Public Health funded by Grant

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APPENDIX C

References			**SAVINGS**	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000

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

				2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
			CHILDREN & FAMILY SERVICES				
*	CF1	Eff	New Departmental Operating Model	0	-100	-100	-100
**	CF2	Eff	Growing Mainstream Internal Foster Carer Provision	-500	-1,000	-1,500	-2,000
**	CF3	Eff	Growing Specialist Internal Foster Carer Provision	-200	-500	-700	-900
*	CF4	Eff	Develop Wrap Around Therapeutic Support Services	0	-700	-700	-700
**	CF5	Eff/SR	Early Help Review	-1,250	-1,500	-1,500	-1,500
*	CF6	Eff	Disabled Children's Respite Care Review	-100	-100	-100	-100
*	CF7	Eff	Review of staff absence	-75	-150	-150	-150
*	CF8	Eff/Inc	Review the Educational Psychology Service	-100	-100	-100	-100
*	CF9	Inc	Academy conversion (reduced numbers)	0	0	30	30
*	CF10	Eff	Education of Children in Care Review	-200	-200	-200	-200
			TOTAL - LOCAL AUTHORITY BUDGET	**-2,425**	**-4,350**	**-5,020**	**-5,720**
			ADULTS & COMMUNITIES				
			Adult Social Care				
*	AC1	Eff	Review of Equipment and Therapy Services	-100	-100	-100	-100
*	AC2	Eff	Review of individual long term residential placement costs	-250	-500	-500	-500
**	AC3	Eff/SR	Effective management of Direct Payments and Personal Budget allocations	-1,000	-1,000	-1,000	-1,000
*	AC4	Eff	Review of staff absence	-160	-325	-325	-325
**	AC5	Eff	Improvements to finance pathway for service users	-25	-25	-25	-25
**	AC6	Inc	Increased income from fairer charging and removal of subsidy / aligning increases	-100	-200	-300	-400
*	AC7	Eff/SR	Review of Supported Living costs	-300	-300	-300	-300
*	AC8	Eff/SR	Review of Community Life Choices costs	-100	-100	-100	-100
*	AC9	Eff/SR	Promoting Independence in the home for high dependency service	-400	-400	-400	-400
**	AC10	Eff	Reduced financial growth following demand management improvements	-1,700	-1,700	-1,700	-1,700
	AC11	Eff	Place to Live - reduced cost of care	0	-25	-50	-50
			Total Adult Social Care	-4,135	-4,675	-4,800	-4,900
			Communities and Wellbeing				
*	AC12	Eff/SR	Implementation of revised service for communities and wellbeing	-200	-300	-500	-1,000
			Total Communities and Wellbeing	-200	-300	-500	-1,000
			TOTAL Adults & Communities	**-4,335**	**-4,975**	**-5,300**	**-5,900**
			PUBLIC HEALTH				
*	PH1	Eff/SR	Early Help & Prevention Review - review of externally commissioned prevention services	-490	-1,005	-1,005	-1,005
	PH2	Eff	Redesign Integrated Lifestyles service	-20	-65	-65	-65
*	PH3	Eff	Review of staff absence	-10	-20	-20	-20
			TOTAL Public Health	**-520**	**-1,090**	**-1,090**	**-1,090**
			ENVIRONMENT & TRANSPORT				
			Highways & Transport				
*	ET1	SR	Revise Passenger Transport Policy	-400	-400	-400	-400
*	ET2	Eff/SR	Implement Review of Social Care and SEN Transport (Phase 2)	-420	-420	-420	-420
*	ET3	Eff	Review of staff absence	-25	-50	-50	-50
*	ET4	Eff	Implement Alternative Fleet Provision	-200	-200	-200	-200
**	ET5	Eff	Revenue savings from capital programme	-50	-100	-100	-100
			Total Highways & Transport	-1,095	-1,170	-1,170	-1,170

SAVINGS

	References			2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
			Environment & Waste				
*	ET6	Eff	Revised payment mechanism for recycling credits for dry materials	-100	-100	-100	-100
	ET7	Eff/SR/ Inc	Recycling & Household Waste Sites service approach	0	-140	-230	-260
**	ET8	Inc	Trade Waste income	-100	-130	-160	-200
**	ET9	Eff	Future residual waste strategy	0	-300	-390	-690
	ET10	Eff	Green and Wood Waste contract reductions	-200	-200	-200	-200
			Total Environment & Waste	-400	-870	-1,080	-1,450
			TOTAL ENVIRONMENT & TRANSPORT	**-1,495**	**-2,040**	**-2,250**	**-2,620**
			CHIEF EXECUTIVE				
**	CE1	Eff	Review of staff absence	-10	-10	-10	-10
	CE2	Eff	Review of Civic and Member Support	-25	-25	-25	-25
	CE3	Inc	Legal Services - Income	0	-40	-40	-40
	CE4	SR	Trading Standards - Reductions in staffing and agency budgets	0	-30	-30	-30
	CE5	SR/Eff	Review of grants and contracts across Communities, Policy and Resilience services	0	-85	-85	-85
	CE6	Inc	Planning, Historic and Natural Environment -Fee Income	0	-10	-10	-10
	CE7	Eff	Reduction in funding for developments	-50	-50	-50	-50
*	CE8	SR	Review funding for economic development activity to external agency	-25	-25	-100	-100
			TOTAL Chief Executive	**-110**	**-275**	**-350**	**-350**
			CORPORATE RESOURCES				
*	CR1	Eff	Customer Service Centre Review	-70	-70	-70	-70
*	CR2	Eff	Review of staff absence	-20	-45	-45	-45
	CR3	Eff	Workplace Strategy	0	-50	-100	-300
	CR4	Eff	Fit for the Future - system replacement and change programme	0	-400	-900	-900
**	CR5	Eff/Inc	Increasing Commercial Services contribution	-500	-750	-750	-750
**	CR6	Eff	Energy and Water Strategy	-90	-160	-210	-260
*	CR7	Eff	Returns from Corporate Asset Investment Fund	0	0	-3,000	-3,000
**	CR8	Eff/Inc	Revenue savings from capital programme	-35	-35	-35	-35
	CR9	Inc	Expand Score + energy scheme	-100	-150	-200	-200
	CR10	Eff	Review financial provision for future liabilities	0	0	-300	-300
	CR11	Inc	Place to Live - Accommodation income	0	-75	-150	-150
			TOTAL Corporate Resources	**-815**	**-1,735**	**-5,760**	**-6,010**
			CORPORATE SAVINGS				
*	CS1	Eff	Review of key supplier contracts	-250	-250	-250	-250
	CS2	Eff	ICT Incubation Team - to enable efficiencies and new ways of working	-50	-100	-150	-200
	CS3	Eff	Efficiency and productivity programme	0	-4,000	-6,000	-8,000
			TOTAL	**-300**	**-4,350**	**-6,400**	**-8,450**
			CENTRAL ITEMS				
**	CI1	Inc	Financial Arrangements - growth in ESPO income	-100	-140	-180	-220
**	CI2	N/A	Minimum Revenue Provision (MRP)	-500	-4,000	-4,000	-4,000
			TOTAL	**-600**	**-4,140**	**-4,180**	**-4,220**
			TOTAL (INCLUDING ADDITIONAL INCOME)	**-10,600**	**-22,955**	**-30,350**	**-34,360**
			MTFS net shortfall - savings required	0	0	-5,253	-19,533
			TOTAL SAVINGS REQUIRED - EXCLUDING DSG	**-10,600**	**-22,955**	**-35,603**	**-53,893**
			Dedicated Schools Grant Savings				
		Eff	Proposed Target - High Needs Development Plan	-2,650	-7,250	-12,470	-19,850
			TOTAL SAVINGS REQUIRED - INCLUDING DSG	**-13,250**	**-30,205**	**-48,073**	**-73,743**

Appendix D

Savings Under Development

1. Home First

The proposed development of Home First services across the county aims to care for people at home wherever possible to prevent hospital admissions and ensure timely discharge from hospital. If people can be cared for and provided reablement at home rather than being admitted to a hospital bed, or provided with a reablement bed on discharge, the number of costly long term care admissions and long term community packages should be reduced. Savings are still to be identified and will be through managing demand, hence reducing growth requirements in future MTFS's.

2. Place to Live

The most significant cost in Adult Social Care is for residential placements. A programme of work has commenced to co-ordinate the Council's Accommodation Strategies, the plans for capital investment and savings related to developing alternative accommodation options. The first project is the development of Brookfield in Great Glen into 20 units for working age adults with learning disabilities. This will cost approximately £2.5m and will deliver annual social care savings of £50k pa plus net rental income of £150k pa.

Further work has been undertaken to map the future requirements for accommodation based support in each locality for 2019 to 2037.

Investment options being investigated include:

- Direct financial investment by the Council to develop more capacity in the sector, e.g. develop appropriate accommodation support for service users.
- A partnership with a care and/or accommodation provider could both increase capacity to deliver a more sustainable market whilst at the same time reduce average care costs.

Initial market testing on the options is currently taking place.

As schemes are developed they will be included in future MTFS's, this could be as standalone items or enablers for the operating model work described below.

3. 0-19 Health Visiting & School Nursing service

This £8.6m contract was commissioned for 3 years, commencing April 2017, with the option to extend for a further 2 years. An approach with the provider is under discussion which would see a phased recruitment freeze applied to the school nursing element of the service to enable continuation of a shift to a 'digital offer'. This is expected to generate approximately £0.5m of savings.

4. Schools offer

There are a number of Public Health services currently delivered to schools including young person's physical activity as well as various specialist training elements. The department is exploring the option of moving these to a traded service model. Work is underway to identify which strands of the delivery could be included in such an offer as well as identifying an aligned date for possible transition.

5. Corporate Asset Investment Fund

In May 2014, the Cabinet approved the establishment of the Corporate Asset Investment Fund to be used to purchase commercial properties and land assets. The Council already held an existing stock of Industrial Properties and County Farms, and in 2017/18 have invested in Office Developments at Embankment House, Nottingham and Lichfield South, Lichfield. The benefits of making these investments will not only be to the local economy, but also generate 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. The financial benefit of these established assets has been included in the MTFS as a saving.

Capital funding is available to make further investments to deliver additional savings. The majority of investment is expected to come from the development of sites, which is a more uncertain undertaking. Hence they are still included as a Savings Under Development.

A further financial benefit is likely to be the capital appreciation that would be realised if an asset was sold. On the basis of a total fund of £200m by 2022/23 there is the potential to increase the current £4m p.a. revenue contribution in the MTFS by £4m p.a. Income will be included in the MTFS when investments returns have a good degree of certainty.

6. Commercialism

Leicestershire Traded Services (LTS) was created by bringing services in Corporate Resources together creating a new brand and introducing a commercial approach involving sales, marketing and regular financial reporting. LTS has a target to increase the contribution to the revenue budget by £2m p.a. Activity is now rolling out across the whole Authority in order to identify and enhance current trading activity and identify potential new areas. Support is being given in two pilot areas; Services to Schools and Highways Development as well as identifying any potential commercial opportunities within the Children's Innovation Partnership. The intention is to increase the contribution from trading activity further.

7. Efficiency & Productivity Programme (Potential additional savings)

A saving of £8m has been included in the MTFS for an Efficiency & Productivity Programme. This work will span all of the departments, but is likely to approach the delivery of savings in a variety of ways. The first programme of work is expected to be the development of a new operating model for adult social care. This has the potential to deliver the majority of savings included in the MTFS. Further savings are expected to be developed through the work of the Innovation Partner in the Children and Families Service and a series of challenge programmes facilitated by the Transformation Unit in other departments.

An outline of the progress of different departments is set out below.

C&FS – Children's Innovation Partnership to design and deliver support for vulnerable children and families to provide support to those at the edge of care and sufficiency for Looked After Children. A contract has been awarded to Barnardo's and will commence in December 2018.

A&C - The Cabinet approved, at its November meeting, the commencement of work to develop a new operating model for adult social care services. Funding has been allocated to develop and implement the new model. The initial phase will entail the identification and appointment of a suitable qualified strategic partner and the deployment of such internal resources as are necessary to deliver the change.

The new target operating model will deliver enhanced outcomes for service users and improved ways of working, ensuring that the Department operates as effectively and efficiently as possible. This will help to safeguard the sustainability of services for the future at a time of changing need and increasing demand for adult social care. These benefits are expected to be above those delivered by the Department's existing transformation activities

E&T – Through a Strategic Challenge Programme the Department will continue to seek ways in which service efficiency can be improved. Workshops have been undertaken with the Transformation Unit and staff in Highways Delivery to consider what options might be available. In total there are over 100 specific ideas to be considered. Many will drop off after initial consideration, but further business analysis and modelling will be undertaken around the most promising ideas. This approach will be extended to cover other areas of the Department and it is expected that this will deliver additional savings/efficiencies that can be included in future MTFSs.

Corporate Resources and other Departments – The existing Fit for the Future programme has similar objectives to the Efficiency and Productivity programme. The potential to build on Fit for the Future will be explored. ICT have commended work to explore the potential to reduce the cost base.

The Transformation Unit will work with services to identify other opportunities.

8. Customer Service Centre

The Customer Service Centre (CSC) has been established since 2007 with additional services migrating into the CSC in 2009 and 2010. Within the CSC there are approximately 100 staff engaged in managing customer contacts across a number of channels, the centre also manages a large amount of fulfilment activity. The current technology is ageing, the Oracle Customer Relationship Management (CRM) system will be out of support in 2018 and the telephony system is also due for renewal. This will provide the opportunity to update the CSC operating practices and processes that have been built around the existing technology.

Additionally, over the years there has been an expansion of service provision by the CSC that has resulted in extra work being absorbed without the appropriate resource. There is now an opportunity to deliver a transformation programme that not only replaces the technology but will:

- Improve the customer experience,
- Reduce demand by better understanding customer needs
- Resolve a higher proportion of contacts at the first contact
- Automate and digitise processes to reduce manual handling and error.

A phased programme of transformation affecting people, systems and practices is being planned. The programme will commence in spring 2019 and in time, this will lead to a change in, beliefs, culture and mind-sets. The first phase of the programme will focus on improving the end-to-end processes that are currently within the CSC, this will be followed by a focus on the improving end to end customer journeys for services that are currently outside of the CSC.

Process improvement, automation and digitisation will lead not only to an improved customer experience but also provide savings opportunities from improved productivity, reduction in handling and errors as well as a greater use of self service.

APPENDIX E

GROWTH

References

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

			2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
		CHILDREN & FAMILY SERVICES				
		Demand & cost increases				
**	G1	Demographic growth- Social Care Placements	3,300	5,800	7,900	10,200
*	G2	Removal of time-limited growth - Supporting Leicestershire Families - transition to a new model when external funding ceases	0	-1,000	-1,000	-1,000
	G3	Special Educational Needs Assessment Service - increased demand on service from SEND reform	575	710	710	710
	G4	Additional Unaccompanied Asylum Seeking Children	345	345	345	345
	G5	On-going requirement for agency staff - Children's Social Care	250	250	250	250
		Total	**4,470**	**6,105**	**8,205**	**10,505**
		ADULTS & COMMUNITIES				
		Demand & cost increases				
**	G6	Older people - new entrants and increasing needs in community based services and residential admissions	1,970	3,045	4,080	5,135
**	G7	Learning Disabilities - new entrants including children transitions and people with complex needs	1,660	2,460	3,220	3,760
**	G8	Mental Health - new entrants in community based services and residential admissions	425	680	940	1,200
**	G9	Physical Disabilities - new entrants in community based services	555	735	910	1,095
		Other increases				
**	G10	Transforming Care - transfers from Health	390	750	750	750
*	G11	Removal of time-limited growth - Support Fund for Community Libraries	-100	-100	-100	-100
	G12	Improve support for transitions from Children's Social Care	300	300	300	300
		Total	**5,200**	**7,870**	**10,100**	**12,140**
		PUBLIC HEALTH				
		Reduced Income				
*	G13	Reductions to Public Health specific grant (offsetting savings are included)	650	650	650	650
		Demand & cost increases				
**	G14	Integrated Sexual Health Service - increased testing	0	20	40	40
		Total	**650**	**670**	**690**	**690**
		ENVIRONMENT & TRANSPORT				
		Highways & Transport				
		Demand & cost increases				
**	G15	Special Educational Needs transport - increased client numbers/costs	1,440	2,110	2,840	3,450
	G16	E & T Projects (HS2 & Ash dieback/highways forestry)	800	800	800	800
		Total	2,240	2,910	3,640	4,250
		Environment & Waste				
		Demand & cost increases				
**	G17	Waste tonnage increases	150	400	650	900
		Total	150	400	650	900
		Total	**2,390**	**3,310**	**4,290**	**5,150**
		CHIEF EXECUTIVES				
		Demand & cost increases				
**	G18	Hardship and Crisis Support Service	45	105	105	105
	G19	Business Intelligence Pupil Forecasting	40	40	40	40
	G20	Legal Services - increased caseload	230	230	230	230
		Total	**315**	**375**	**375**	**375**
		CORPORATE RESOURCES				
		Demand & cost increases				
	G21	Microsoft Enterprise Agreement cost increase	550	550	550	550
	G22	Additional HR resources to manage off-contract risk and to tackle recruitment & retention issues	140	140	140	140
		Service Improvements				
	G23	Additional ICT security measures to mitigate risk identified by Cyber Security Audit	150	150	150	150
	G24	Fire Safety Risk and Third Party Providers	70	70	70	70
		Total	**910**	**910**	**910**	**910**

GROWTH

References			2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
		CORPORATE GROWTH				
**	G25	Growth contingency	0	6,600	13,200	19,900
		Total	**0**	**6,600**	**13,200**	**19,900**
		TOTAL	**13,935**	**25,840**	**37,770**	**49,670**
		Overall net additional growth		11,905	11,930	11,900

CHILDREN & FAMILY SERVICES - CAPITAL PROGRAMME 2019/20 to 2022/23 - Draft

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
MAIN GRANT FUNDING PROGRAMME					
Provision of Additional School Places	**13,740**	**16,920**	**18,970**	**15,680**	**65,310**
SEND Programme					
Social Emotional Mental Health (SEMH) Units	1,250	1,250			2,500
SEMH Special School - LA Developed	2,000	1,000			3,000
SEMH Special School - Free School Bid - subject to DfE approval	0	0	8,000		8,000
Post 16 SEND	500	500			1,000
Communication and Interaction Difficulty Units	770	500			1,270
Communication and Interaction Difficulty School	1,500	2,500			4,000
Expansion of Special Schools	1,500	1,000			2,500
Sub total - SEND Programme	**7,520**	**6,750**	**8,000**	**0**	**22,270**
Strategic Capital Maintenance*	2,300	2,000	2,000	2,000	8,300
Schools Devolved Formula Capital *	600	500	500	500	2,100
DDA / Schools Access / Safeguarding	200	200	200	200	800
Early Help - Building reconfiguration and refurbishment	300				300
Other Capital	**3,400**	**2,700**	**2,700**	**2,700**	**11,500**
Overall Total	**24,660**	**26,370**	**29,670**	**18,380**	**99,080**

* - awaiting Government announcement due early/mid December 2018.

Future Developments - subject to further detail and approved business cases	
S106 Schemes - externally funded tbc	
Early Years Provision	
Area Special School	

ADULTS & COMMUNITIES - CAPITAL PROGRAMME 2019/20 to 2022/23 - Draft

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
New Starts					
Brookfields Supported Living Scheme (refurbishment)	1,500				1,500
HART Rostering System	150				150
Hinckley, The Trees (refurbishment)	600				600
Hamilton Court/Smith Crescent - NWL Development	2,800	930			3,730
Smart Libraries - Invest to Save	20				20
Better Care Fund / Disabled Facilities Grant *	3,630	3,630	3,630	3,630	14,520
Total A&C	**8,700**	**4,560**	**3,630**	**3,630**	**20,520**

* - awaiting Government announcement due early/mid December 2018.

Future Developments - subject to further detail and approved business cases	
Collections Hub/ Records Office and transition implications	
Health and Social Care Service User Accommodation - Supported Living/Extracare/Residential	

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2019/20 to 2022/23 - Draft

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Commitments b/f					
Zouch Bridge Replacement	0	600			600
Advance Design	2,680	1,570	1,270	1,120	6,640
Melton Mowbray Distributor Road	2,410	25,140	25,000	9,420	61,970
County Council Vehicle Programme	3,040	2,890	1,500	650	8,080
Melton Depot - Replacement	3,610	50			3,660
	11,740	**30,250**	**27,770**	**11,190**	**80,950**
Major Schemes					
Anstey Lane A46 (subject to £4.1m Leicester City contribution)	2,690	1,400			4,090
M1 Junction 23 (subject to £7.8m developer contribution)	11,030	8,730			19,760
	13,720	**10,130**	**0**	**0**	**23,850**
Transport Asset Management*		9,820	9,840	9,770	29,430
Capital Schemes and Design	4,330				4,330
Bridges	740				740
Flood Alleviation- Environmental works	240				240
Street Lighting	250				250
Traffic Signal Renewal	140				140
Preventative Maintenance - (Surface Dressing)	4,130				4,130
Restorative (Patching)	6,410				6,410
Additional Highway incentive fund subject to meeting level 3 criteria	0	1,670	1,670	1,670	5,010
Hinckley Hub (Hawley Road)	3,530				3,530
Highways Maintenance - IT renewals	80	80	30		190
	19,850	**11,570**	**11,540**	**11,440**	**54,400**
Environment & Waste					
Recycling Household Waste Sites Improvements - Drainage	120				120
Recycling Household Waste Sites Improvements and works	500	850	350	350	2,050
Kibworth Site Redevelopment	490	2,010			2,500
Waste Transfer Station Development	600	6,900			7,500
	1,710	**9,760**	**350**	**350**	**12,170**
Total E&T	**47,020**	**61,710**	**39,660**	**22,980**	**171,370**

* Government Grant allocations, indicative 2020/21 onwards.
* programme amended by -£3.5m (2019/20), -£3.1m (2020/21) -£3.1m (2021/22) and -£3.1m (2022/23) for substitution to E&T revenue budget

Future Developments - subject to further detail and approved business cases
Waste Transfer Station - potential new site
S106 Schemes - externally funded tbc
Speed Cameras - Roll out
Windrow Composting Facility
New Melton RHWS
Compaction equipment
Whetstone mobile plant

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2019/20 to 2022/23 - Draft

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Shire Community Solutions Grants	100	100	100	100	400
Rural Broadband Scheme - Phase 3	610	2,430	2,590		5,630
Rural Broadband Scheme - Phase 3 extension (subject to Grant Award)	0	2,500	3,130		5,630
Total Chief Executives	**710**	**5,030**	**5,820**	**100**	**11,660**

Future Developments - subject to further detail and approved business cases
Coroners relocation
Relocation of Hinckley Registry Office

CORPORATE RESOURCES - CAPITAL PROGRAMME 2019/20 to 2022/23 - Draft

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Corporate Resources - General					
Fit for the Future	**3,000**	**0**	**0**	**0**	**3,000**
ICT					
Local Area Network (LAN) Edge Refresh - County Hall & Remote sites	450	0	200		650
Storage Area Network (SAN) Replacement	250				250
ASA Firewall Replacements	100				100
Windows 10 & Office 2016	160				160
Replacement ITSM toolset and User Portal (Marval replacement project)	120	120			240
Corporate ICT Programme - Smaller Projects	200	170	50	70	490
Sub total ICT	**1,280**	**290**	**250**	**70**	**1,890**
Property Services					
Watermead Park Footbridge and Cycleway	750				750
Workplace Strategy - subject to business case	500	500			1,000
Snibston & Country Park Future Strategy	550				550
Hand and Arm Vibration (HAV) Equipment	100				100
Sub total Strategic Property	**1,900**	**500**	**0**	**0**	**2,400**
Total Corporate Resources	**6,180**	**790**	**250**	**70**	**7,290**

Future Developments - subject to further detail and approved business cases
VDI Refresh
Major System Replacements - IAS, Mosaic, Capita One, STADS
Commercial Strategy
Agile Working pilots

CORPORATE - CAPITAL PROGRAMME 2019/20 to 2022/23 - Draft

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Corporate Asset Investment Fund (CAIF)					
LUSEP Development	4,000	10,240			14,240
Airfield Business Park - Phase 1	4,210				4,210
East of Lutterworth SDA	27,270				27,270
Coalville Workspace Project - Vulcan Way	2,520				2,520
County Farms Estate - General Improvements	200	200	200	200	800
Industrial Properties Estate - General Improvements	250	250	250	250	1,000
Asset Acquisitions / New Investments - subject to Business Case*	4,000	4,000	4,000	5,000	17,000
Sub total CAIF	**42,450**	**14,690**	**4,450**	**5,450**	**67,040**
Energy Strategy					
Energy Efficiency Standards - Energy Performance Certificate requirements	50	50	50		150
Energy & Water Strategy - Invest to save	300	300	300	300	1,200
Score + (Schools Energy Trading)	1,000	1,000			2,000
	1,350	**1,350**	**350**	**300**	**3,350**
Total Corporate Programme	**43,800**	**16,040**	**4,800**	**5,750**	**70,390**

Future Developments - subject to further detail and approved business cases	
*CAIF - Asset Acquisitions / New Investments	
County Farms Estate - Compliance and Renewal Programme	
Airfield Business Park Phase 2	
Bardon Interlink	
Billesdon Employment Units	Decisions taken in accordance with the Corporate Asset Investment Fund Strategy and governance from the CAIF advisory board.
East of Lutterworth SDA - Phase 2	
Quorn Development & Solar Farm	
Stoney Stanton SDA	
Sysonby Farm employment and commercial development	
Embankment House Development	
Land of Meynell Road, Quorn	
Anaerobic Digestion	
Battery Storage	
District Heating	