



Meeting: **Cabinet**

Date/Time: **Tuesday, 17 December 2019 at 2.00 pm**

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

Contact: **Ms. J. Bailey (Tel. 0116 305 2583)**

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Membership

Mr. N. J. Rushton CC (Chairman)

Mr. R. Blunt CC	Mr. T. J. Pendleton CC
Mr. L. Breckon JP CC	Mr. J. B. Rhodes CC
Mr. I. D. Ould OBE CC	Mrs H. L. Richardson CC
Mr. B. L. Pain CC	Mr. R. J. Shepherd CC

SUPPLEMENTARY REPORT

<u>Item</u>	<u>Report by</u>	
4. Medium Term Financial Strategy 2020/21 to 2023/24 - Proposals for Consultation.	Director of Corporate Resources	(Pages 3 - 52)



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CABINET – 17 DECEMBER 2019

PROVISIONAL MEDIUM TERM FINANCIAL STRATEGY
2020/21 - 2023/24

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 2020/21 to 2023/24, for consultation and scrutiny.

Recommendation

2. It is recommended that:
 - (a) The proposed Medium Term Financial Strategy, including the 2020/21 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 Leicester and Leicestershire Business Rates Pool in 2020/21 and subject to agreement by all member authorities to implement this;
 - (c) Additional funding of £1m be allocated from the 2020/21 programme to existing projects within the Adult Social Care programme (£0.5m) and the Corporate Asset Investment Fund (£0.5m);
 - (d) A further report is submitted to the Cabinet on 7th February 2020.

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 2020/21 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 Business Rates Pool within 28 days from the draft Local Government Finance Settlement.
6. To enable the completion of works to refurbish The Trees (long-stay) care home in Hinckley and development of commercial offices at Loughborough University Science and Enterprise Park.

Timetable for Decisions (including Scrutiny)

7. The external consultation on the MTFs will take place from 18th December 2019 until 20th January 2020. The MTFs will be considered by the County Council's Overview and Scrutiny bodies between 15th and 27th January 2020 as follows -

Health - Wednesday 15th January

Environment and Transport - Thursday 16th January

Adults and Communities - Monday 20th January

Children and Families - Tuesday 21st January

Scrutiny Commission - Monday 27th January

8. The Cabinet will then consider the comments of the scrutiny bodies and responses from the wider consultation process at its meeting on 7th February 2020. The County Council meets on 19th February 2020 to consider the final MTFs.

Policy Framework and Previous Decisions

9. The MTFs is a rolling financial plan that is updated annually. The current MTFs was approved by the County Council on 20th February 2019. 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.
10. The County Council declared a Climate Emergency in May 2019 and committed to achieve carbon neutrality from its own operations by 2030. The Strategic Plan and the Environment Strategy are currently being updated to embed the new commitments into all areas of the Council's activities.

Legal Implications

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

Resource Implications

12. The MTFs is the key financial plan for the County Council.

13. The County Council is operating in an extremely challenging financial environment following ten 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 in the medium term. Although the 2019 Spending Round indicates an easing in grant reductions in 2020/21, no details are available regarding 2021/22 and later years. The position for 2021/22 onwards will be subject to a Comprehensive Spending Review in 2020 and the results of Government reviews on Fair Funding and the Business Rates Retention Scheme. At the time of writing the outcome of the general election is not known.
14. Delivery of the MTFS requires savings of £79.7m to be made from 2020/21 to 2023/24. This MTFS sets out in detail £23.8m of savings and proposed reviews that will identify further savings to offset the £38.9m funding gap in 2023/24. A further £17.0m 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.
15. To ensure that the MTFS is a credible financial plan, unavoidable cost pressures have been included as growth. By 2023/24 this represents an investment of £59m, primarily to meet the forecast increase in demand for social care. The MTFS also includes a £58m provision for pay and price inflation.
16. The draft four-year capital programme totals £603m. This includes investment for services, road and school infrastructure arising from housing growth in Leicestershire, the corporate asset investment fund, social care accommodation and energy efficiency initiatives. Capital funding available totals £386m with the balance of £217m being temporarily funded from the County Council's internal cash balances in advance of section 106 contributions and other funding being received in the future, e.g. increased capital receipts or new grants.
17. To deal with the challenges that the County has faced in recent years, as the lowest-funded County Council, a proactive approach has been required. The County Council has continued to invest in and improve services and is pleased to be named the most productive council for the third year running by consultancy firm IMPOWER.

Circulation under the Local Issues Alert Procedure

18. This report has been circulated to all Members of the Council. A briefing will be provided for all Members.

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PART B

2019 Spending Round

19. On 4th September 2019 the Chancellor of the Exchequer delivered the 2019 Spending Round. The announcement included a funding package of more than £3.5 billion for council services, the largest year on year real terms increase in spending power for local government in a decade. However, the announcement only related to 2020/21 and gave no indication of the levels of funding for 2021/22 and later years.
20. The Spending Round included the continuation of elements of 2019/20 one-off funding and additions of £1 billion for social care and £700m for children and young people with special educational needs and disabilities. The Chancellor confirmed that key grants to local government will also continue next year.
21. The Spending Round also proposed a 2020/21 council tax referendum limit of 2% and an extension of the adult social care precept of a further 2%.
22. The Government clarified its intention to introduce 75% business rates retention and the outcome of the Fair Funding Review in April 2021. This will allow time for the remaining decisions over the design of the reforms to be made by the government including consultation with councils.

2019 Autumn Budget

23. On 14th October 2019 the Chancellor of the Exchequer announced plans to issue an Autumn Budget on 6th November 2019. However, following the delay of Brexit arrangements beyond 31st October 2019, the Chancellor wrote to the Treasury Select Committee on 25th October 2019 to confirm that the Budget announcement would be delayed until after the General Election. The Budget will indicate how the winning party's manifesto commitments will impact on Local Government finances.

Local Government Finance Settlement

24. The 2020/21 provisional Local Government Finance Settlement is due to be released in late December, or after Parliament returns from the Christmas recess in January; the latter seems the more probable timescale. An announcement in January would be unprecedented. Local Government legislation will require a period of consultation on the announcement of usually around 4 weeks, prior to a debate on the Settlement in the House of Commons.
25. Given that the Spending Round relates to 2020/21 only, it is anticipated that the Settlement will also only relate to that financial year.
26. The MTFs is based on the following assumptions:
 - As implied by the Spending Round, the 2020/21 Settlement will be broadly similar to the levels of the 2019/20 Settlement.

- The Adult Social Care precept will be extended beyond its original parameters of increases of a total of 8% over the four-year period of 2016/17 to 2019/20, allowing the County Council a further increase of up to 2% in 2020/21.
 - Core Council Tax increases of up to 1.99% will be allowed without a referendum.
 - No changes to the New Homes Bonus (NHB) Grant; the Government has consulted on some potential changes to the Grant.
 - No changes to the current 50% Business Rates retention scheme for 2020/21; proposals on a change to a 75% scheme from 2021/22 are under development.
 - Grant reductions are significantly reduced when compared to the assumptions in the previous MTFS.
27. These assumptions will be reviewed and updated as appropriate based on the Settlement and what is known about the winning party's intentions following the General Election on 12 December.
28. Funding for services received through specific grants is not covered by the Settlement, for example: High Needs funding (Dedicated Schools Grant), the Better Care Fund, Public Health Grant and all capital grants. Amounts for 2020/21 may not be confirmed in the current financial year and the ongoing implications are subject to significant uncertainty.

Revenue Support Grant and Spending Power

29. All parties have indicated that public spending will not be reduced. As a result, previous grant reduction assumptions have been removed from the MTFS. However, a number of risks remain including uncertainty on business rates retention, New Homes Bonus grant and any changes made as a result of the fair funding review (likely to lead to very different results depending on the election result). As a result, a lower general reduction equating to £3m a year has been assumed.
30. The position is expected to be known gradually through initially the settlement, then the budget which might give an indication of government departmental spending allocations, but clarity on future years is unlikely before the comprehensive spending review, expected in spring 2020.
31. 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.
32. The overall impact of the 2016/17 four-year Settlement on RSG is set out below. The County Council ceased to receive any RSG in 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%

33. Combined with earlier cuts this has resulted in a cumulative real terms reduction in excess of £100m in government grants since 2010.
34. 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	60.9	62.9
Council Tax*	233.4	242.8	253.1	266.8	280.8
2% Council Tax for Social Care	0.0	4.8	10.0	18.7	22.6
Improved Better Care Fund**	0.0	0.0	9.5	12.4	14.8
New Homes Bonus	3.3	4.3	4.1	3.7	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
Winter Pressures Grant	0.0	0.0	0.0	2.4	2.4
Social Care Support Grant	0.0	0.0	0.0	0.0	4.1
Core Spending Power	353.4	349.6	360.6	374.9	391.3

*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

35. The table shows that after a reduction in 2016/17, 'core spending power' increased in cash terms by £37.9m (10.7%) by 2019/20. With inflation running at circa 3% each year this represents a real terms decrease and provides no allowance for increasing service demand.

Comprehensive Spending Review and Fair Funding

36. 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.

37. The CSR is expected in 2020, probably in the spring. The period of time this will cover is not known but it would be expected to be for 3 or 4 years.
38. 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.
39. The Government announced that it intended to revise the way in which local government funding is calculated, with the aim of having a new system in place by 2020/21. That timescale has now been amended to implementation in 2021/22. 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 £303m of funding would be received each year (based on 2019/20 Core Spending Power).
40. 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.
41. The Government has accepted many of the arguments put forward and has indicated a preference for a simpler system that recognises the relative need of areas, rather than just reflecting historic funding levels. A consultation on the Government's initial proposals was issued alongside the 2019/20 Local Government Settlement and confirmed the general move towards a simpler, fairer system. However, there is not yet 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 2020 at the earliest.

Business Rates Retention Scheme

42. The two main components of the business rates retention scheme income received by the County Council are the "baseline" and "top up" amounts. 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.

43. The Government had indicated its intention for a full reset of baselines in 2020/21 but this has now been postponed until 2021/22. This will result in Councils losing their share of accumulated growth. For the County Council this amounts to £3m per annum, and the income to the Leicester and Leicestershire Enterprise Partnership (LLEP) from the Leicester and Leicestershire Business Rates Pool would reduce by circa £8m.
44. The forecasts used in the draft MTFS are set out below:

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Business Rates 'Top-Up'	40.5	41.3	42.1	42.9
General contingency	-2.7	-5.7	-8.7	-11.7
Business Rates 'Baseline'	24.0	24.5	25.0	25.5
S31 grants - Business Rates	3.6	3.7	3.8	3.9
Total	65.4	63.8	62.2	60.6

Business Rates Pooling

45. 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.
46. In 2019/20 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 £8.5m. 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.
47. In total £31m is forecast to have been retained in Leicestershire, since 2013/14 due to the success of the Pool. The LLEP is currently considering submissions for a range of infrastructure projects around the County and City which this funding can be used to support. It is anticipated that the County will receive a share of this funding which will help offset the costs of specific projects which would otherwise need to be funded from the Council's own funding sources.
48. The Partners will decide in January 2020 on whether to continue with the Pool in 2020/21. Due to the strong position in 2019/20 continued pooling is expected to be beneficial.

Council Tax

49. The draft MTFS is based on a 3.99% increase in Council Tax for 2020/21, which includes an additional 2% on the adult social care precept. Increases of 1.99% are assumed regarding 2021/22, 2022/23 and 2023/24. Over the next four years a total of £50m in extra Council Tax is expected to be generated.
50. 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 2020/21 will be a 4% rise in Council Tax. The 2% threshold is assumed to resume from 2021/22.
51. 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 of the four years of the Spending Review period to partially fund adult social care. This was in addition to the council tax referendum thresholds and was “to be used entirely for adult social care”.
52. The 2020/21 Spending Round issued by the Government in September 2019 included an extension of the Adult Social Care precept to 2020/21, with an increase of up to 2%.
53. The proposed MTFS includes an assumption that the tax base will grow by around 1.6% in 2020/21 and then by 1.5% in each year. Final Council Tax base figures for 2020/21 will be provided by the district councils in January 2020 and will be reflected in the report to the Cabinet on 7th February 2020.
54. The tax base in the first year is expected to benefit from reviews of single person discounts and changes to other discounts and premia on long term empty properties that have been implemented by district councils. The majority of the benefits will accrue to the County Council.
55. The district councils are providing quarterly monitoring information on the forecast Collection Funds surplus/deficit position. At the end of September 2019 a surplus of around £1.5m for the County Council was reported and this income is reflected in the 2020/21 budget. Formal estimates for the surplus/deficit will be received in January 2020.

Summer 2019 Consultation

56. The County Council performs an annual consultation on the draft budget. However, it is important to periodically assess the views of the public, staff and stakeholders that can be used to inform the County Council’s future financial priorities. An extensive public consultation exercise took place from 12 June to 10 September 2019 on the Authority’s priorities, the outcome of which was reported to the Cabinet on 22 November. A summary is given below.

57. The nearly 13-week consultation exercise included:
- a questionnaire – online and sent to households in a special edition of the residents' newsletter Leicestershire Matters;
 - an online, interactive tool enabling people to explore the council's budget in more detail;
 - residents focus groups/workshops;
 - information events with stakeholder organisations;
 - information events with council staff and managers;
 - public events across the County.
58. A key finding from the consultation is that respondents feel support for vulnerable people should be protected. Residential and community support for older people and mental health – plus special educational needs and disabilities, child protection and children in care – are in the top 10 services people do not want to see reduced.
59. Over 4,300 people took part in survey which also shows:
- 82% of people support a Council Tax rise in line with inflation (2%) or above
 - 81% agree with reorganising local government to make savings
 - 86% support protecting the environment by using renewable energy and reducing carbon
60. More detail on the approach taken to engagement as part of the consultation, together and the key findings and outputs were considered by the Cabinet on the 22nd November 2019. The MTFs as presented represents a good fit with the outcome of the consultation. Changes to growth and savings and capital allocations have been reviewed in light of the results.
61. For example, it was clear from the results that respondents felt that services for vulnerable children and adults should be protected. Growth has been provided to ensure service levels can be maintained, despite significant increase in demand. Also, additional funding has been provided to help manage the highways network, again a service that was felt to be one of the most important to protect. There was also support for investing in land, property and other assets to generate future income streams as well as investing in energy/carbon reduction initiatives. The increased capital programme allows for investments to be made in these areas.
62. Going forwards, decisions will continue to be taken mindful of the relative priorities and other feedback received from stakeholders through the consultation exercise.

2020/21 - 2023/24 Budget

63. 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 2020/21 budget excluding DSG is detailed in Appendix B.

Provisional Budget	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Services including inflation	353.9	383.2	403.1	429.8
Add growth	23.7	9.3	13.0	13.0
Less savings	<u>-13.2</u>	<u>-3.6</u>	<u>-1.7</u>	<u>-1.6</u>
	364.4	388.9	414.4	441.2
Central Items	18.2	5.8	8.3	11.8
Less savings	<u>-3.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	379.1	394.7	422.7	453.0
Contributions to/from				
General Fund	<u>6.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Expenditure	<u>385.6</u>	<u>394.7</u>	<u>422.7</u>	<u>453.0</u>
Funding				
Revenue Support Grant	0.0	0.0	0.0	0.0
Business Rates	-68.1	-69.5	-70.9	-72.3
less contingency	2.7	5.7	8.7	11.7
Council Tax	<u>-320.2</u>	<u>-330.9</u>	<u>-341.5</u>	<u>-353.5</u>
Total Funding	<u>-385.6</u>	<u>-394.7</u>	<u>-403.7</u>	<u>-414.1</u>
Shortfall	<u>0.0</u>	<u>0.0</u>	<u>-19.0</u>	<u>-38.9</u>

64. The MTFs is balanced in 2020/21 and 2021/22 and shows shortfalls of £19m in 2022/23 rising to £39m in 2023/24. As set in out in the following section there is a range of initiatives currently being developed that will aim to bridge the gap.

Savings and Transformation

65. Overall, the balance between expenditure and income suggest a gap of £80m by the end of the MTFs period. Whilst the Council is optimistic that some additional funding may be made available to reduce this gap, it is clear that significant savings will still be required.

66. Savings of £23.8m have been identified with more expected over the next four years, 2020 to 2024, with £16.7m to be made in 2020/21. This is a challenging task especially given that savings of £210m have already been delivered over the last ten years. This has been largely driven by the real terms reduction in government grants, which is in excess of £100m since 2010. The identified 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 2020.

67. The main four-year savings are:

- Children and Family Services (£4.0m). This includes savings from reducing Social Care Placement costs.
- Adults and Communities (£8.7m). This includes savings of £6m from implementation of the new Target Operating Model.
- Public Health (£1.1m). This includes savings from reviewing early help and prevention services and from the 0-19 health visiting and school nursing service.
- Environment and Transport (£1.5m). Savings include changes to Recycling and Household Waste Sites (RHWS) operations and the future residual waste strategy.
- Chief Executive's Department (£0.1m). This includes savings from a review of grants and contracts and additional income.
- Corporate Resources (£4.6m). This includes returns from the Corporate Asset Investment Fund and savings from the Workplace Strategy.
- Corporate/ Central Items (£3.8m). This includes savings from a revised Minimum Revenue Provision.

68. Of the £23.8m identified savings, efficiency savings account for £18m, and can be grouped into three main types:

- a) Better commissioning and procurement (£6m)
- b) Service re-design (£8m)
- c) Financial policy changes (£4m)

69. It is estimated that the proposals would lead to a reduction around 150 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.

70. Further savings will be required to close the budget shortfall of £19m in 2022/23 rising to £39m in 2023/24.

71. To help bridge the gap a number of initiatives are under development to generate further savings. Once business cases have been completed and appropriate consultation processes taken, savings will be confirmed and included in a future MTFS. However, without additional government funding over the medium term, further savings will still be required.

72. The development and ultimately achievement of these savings will be extremely challenging and will require focus, discipline and innovation. The Transformation Unit is currently working with Finance colleagues to develop an approach to identify and bring forward opportunities for new savings.

73. The MTFS also includes the High Needs Block Development Plan which is targeting cost reductions to ensure that the expenditure can be contained within the allocation through the Dedicated Schools Grant. Savings of £17m are planned over the MTFS period.

74. The future savings programme will be developed further over the coming months and will be reappraised in light of further information, including the CSR. 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 approach has contributed to Leicestershire being named the most productive council in the country for the third successive year by consultancy firm IMPOWER.

Transforming the Way We Work

75. Since its inception in 2014, over £53m of savings have been delivered through the Transformation Programme. The Programme is refreshed annually and as at December 2019 contains initiatives with total future savings targets in excess of £29m. This will be further affected by the MTFS refresh to 2023/24 and the ongoing implementation of the County Council's Strategic Plan.
76. Commencing in 2020, the scope of the Transformation Programme will be widened and redefined to include more areas of Strategic Change within the Council, bringing its Workplace, Carbon and Digital programmes alongside the existing programme of savings through the MTFS.
77. A key emphasis from the new MTFS is a focus on further internal efficiency and productivity and good service decision making, spanning the County Council through a series of priority areas of work. Through evidence-based strategic challenge, including using the outcomes from the recent consultation on the MTFS, this work will help to identify and capture new savings opportunities to be delivered.

Growth

78. Over the period of the MTFS, growth of £59m is required to meet demand and service pressures with £23.7m required in 2020/21. The main elements of growth are:
- Children and Family Services (£20.9m). This is mainly due to pressures on the Social Care placements budget arising from increased numbers of Looked After Children (over 10% per annum increase), increased Social Care caseloads and increased pressures on the Unaccompanied Asylum Seeking Children budget.
 - Adult Social Care (£9.2m). This is largely the result of an ageing population with increasing care needs and increasing numbers of people with learning disabilities.
 - Environment and Transport (£9.9m). This primarily relates to increased numbers of clients and costs on the Special Educational Needs (SEN) Transport budget and increased pressures on the Highways Maintenance budget to maintain base services and to keep the road network safe.
 - Chief Executive's (£0.9m). This includes provision for the approved Growth Unit and increased requirements on Business Intelligence and Strategic Planning.

- Corporate Resources (£0.3m). This mainly relates to Strategic Property Services and Country Parks.
 - Corporate Growth (£17.8m). This has been included to act as a contingency for potential further cost pressures in the later years of the MTFS – the value has been set based upon historic levels of growth incurred.
79. Some growth has been included at this stage as one-off/temporary, the biggest element being some of the growth for highways. This will continue to be reviewed and updated as appropriate in future iterations of the MTFS.
80. Details of proposed growth to meet spending pressures are shown in Appendix D to this report.

Inflation

81. The Government's preferred measure of inflation is the Consumer Price Index (CPI). In October 2019 this was 1.5% and the Office for Budget Responsibility (OBR) predicts it will increase to around 1.9% in 2020/21 and 2.0% in 2022/23 and 2023/24. The OBR predicts that the Retail Prices Index (RPI) will increase from its current level of 2.1% to around 2.9% in 2020/21 and then increase to 3.1% in 2021/22, 2022/23 and 2023/24.
82. 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. To compensate the draft MTFS assumes 3% per annum inflation over the period 2020/21 to 2023/24.
83. The impact of the National Living Wage (NLW) is huge. In recent years social care costs have been driven up by its introduction, for which an additional provision has been made. However, on the basis of indications from the Government that the NLW could rise to around £10.50 per hour by 2024/25 further provision has been made compared to the previous forecast (£20m) with an impact of an additional £9.4m added to the MTFS by 2023/24.
84. The MTFS provides for annual pay awards of 2%, with an allowance for higher increases in the lower Grades to reflect the impact of the NLW.
85. 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.
86. Detailed service budgets for 2020/21 are compiled on the basis of no pay or price increases. A central contingency for inflation is held, which will be allocated to services as necessary.

Local Government Pension Scheme

87. The County Council is the administering authority for the Local Government Pension Scheme (LGPS) covering over 200 employers within Leicestershire. This includes local government bodies, universities, colleges and academies.

88. The latest triennial valuation was carried out by the Fund's Actuary as at 31 March 2019. The purpose of the actuarial valuation is to set employer contribution rates for a three-year period, that commences one year after the valuation date (i.e. for the period 1 April 2020 to 31 March 2023). In order to set these contribution rates the Actuary must take account of a large number of factors, most of which are assumptions of what will happen in the future. These assumptions do not affect the ultimate cost of paying benefits; they simply calculate the liability derived from these benefits, which in turn affects the level of contributions set.
89. In 2016 the valuation calculated a 76% funding level. The draft results of the 2019 valuation calculate an 89% funding level which is a significant funding improvement. This was mainly due to exceptional investment returns on assets held by the Fund over the last three years, circa 30% increase in value to £4.3bn. This level of increase is not expected to continue.
90. The value of the County Council's historic deficit as per the triennial review is estimated to be £170m, as at 31 March 2019. The positive fund valuation results allow the County Council's deficit recovery plan, which was set as part of the 2016 valuation, to be followed resulting in the deficit recovery period reducing from 20 to 17 years. The deficit recovery plan sets the balance between investment returns and additional employer contributions, with the fund actuary approving the contribution level for each employer. In agreeing contribution levels, the County Council needs to balance the impact on the revenue budget against increasing the total amount paid, if deficit recovery is slowed. The positive valuation results have avoided the need for a significant increase in contributions by the County Council, and the annual 1% contribution increases can continue.
91. The new contribution rates have been included in the draft MTFS. This will result in a primary employer contribution rate (relating to current service) of 19.6% of pensionable pay, and a secondary rate (to fund the historic deficit) of 6.7% of pensionable pay in 2020/21. This will rise by 1% p.a. thereafter.

Central Items

92. Interest income relating to Treasury Management investments is budgeted at £2.8m in 2020/21 and later years. This reflects the expectation that Bank of England base rates will remain at a low level for the foreseeable future.
93. Capital financing costs are expected to decrease to £19.2m in 2020/21 (from £22.6m in 2019/20) and then to rise to £24.6m in 2023/24, mainly as a result of increasing financing requirements for the capital programme, partly offset by the proposed change to the minimum revenue provision outlined below.
94. The budget includes revenue funding of capital expenditure, mainly for the Corporate Asset Investment Fund, as described later in the report, of £26m in 2020/21 and £1m in 2021/22 and later years.

95. Capital financing costs include debt interest on loans outstanding and an amount set aside to repay debt principal on maturity, called the minimum revenue provision (MRP). The current policy is to charge MRP on borrowing supported by the Government at a rate of 4% per annum. This equates to approximately £10m per annum. The 4% relates to the rate at which the government provided support to the Authority through the historic revenue support grant (RSG).
96. Following changes to the legislation regarding MRP and the reductions in RSG it is no longer possible to demonstrate that support is maintained at the original government set funding rate of 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.
97. Based on the average remaining economic life of assets held it is proposed to revise the MRP calculation to a period of 40 years, which would reduce the MRP charge to around £6m per annum. It should be noted that the revised approach does not change the overall amount of MRP payable; the same amount is simply repaid over a longer period of time. A saving of £3.5m has been included in the MTFs from 2020/21 (in addition to £0.5m in the current year).

Health and Social Care Integration

National Policy Context – the NHS Long Term Plan

98. 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 and provide more of this care in community settings are seen nationally and locally as key to improving outcomes and ensuring high quality and sustainable services for the future.
99. The direction of travel from an NHS policy point of view is that local health and care systems will 'evolve' from Sustainability Transformation Partnerships into Integrated Care Systems by 2021. This expectation was reinforced in the NHS Long Term Plan, published in January 2019.
100. The County Council's Cabinet report (in February 2019) summarised the content of the NHS plan publication (which set out the policy and delivery requirements of the NHS for the next five years) and analysed the likely implications for the Council. A copy can be found on the County Council's website.
101. Integrated Care Systems (ICSs) do not have a statutory basis, but rest on the willingness of NHS organisations to work together, and with local authorities and other partners, to improve health and care across a geographical footprint. A later report to the Cabinet (September 2019) asked for clarification from the NHS as to what an ICS would mean in practice for the County Council.
102. The footprint is the area of Leicester, Leicestershire, and Rutland (LLR), where a joint programme of transformation has been in place for a number of years, known as "Better Care Together", the LLR's Sustainability and Transformation Partnership (STP).

103. The draft NHS Long Term Plan for LLR was submitted to NHS England at the end of September per national requirements. The document set out how they will deliver the requirements of the Long Term Plan. Feedback on the draft submission has been received from NHS England during October. The Plan is being updated to reflect the feedback and will be re-submitted to NHS England.

Better Care Fund (BCF)

104. The Council has received funding from the NHS through the BCF since 2014/15 in line with levels determined by government. 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.

105. The Leicestershire BCF pooled budget is comprised of a number of sources of funds (see table below), with the largest component sourced from Clinical Commissioning Group (CCG) budgets. The amount each CCG contributes to its local BCF pooled budget is mandated by NHS England and known as the annual "minimum allocation".

	Estimated 2020/21 £m	On-going assumption £m
CCG Minimum Allocation	40.4	40.4
IBCF - Autumn 2015 review	11.4	11.4
IBCF (additional adult social care allocation) - Spring 2017 Budget	3.4	0
IBCF (Winter Pressures) - Autumn Budget 2018	2.4	0
Disabled Facilities Grant	3.9	3.9
Total BCF Plan	61.5	55.7

106. The CCG minimum allocation into the BCF is used to sustain adult social care services. The national conditions of the BCF require a certain level of expenditure to be allocated for this purpose. This funding has been crucial in ensuring the Council can maintain a balanced budget, while ensuring that some of the most vulnerable service users are protected; unnecessary hospital admissions are avoided; and the good performance on delayed transfers of care from hospital is maintained.

107. As part of the one-year Spending Round announced in September, it was confirmed that the Government remains committed to the integration of health and social care and that the BCF will continue into 2020/21. The NHS contribution to adult social care will increase by 3.4% (up to £24.2m for Leicestershire if confirmed). This emphasised that as the NHS works with local government on plans for enhanced and improved Primary and Community services, they should also be working together on continued integration of health and social care, as well as alignment to wider local government services such as housing.

108. The Spending Round also indicated that the improved BCF funding will continue into 2020/21, this should be at the same funding levels as the current year, £17.2m. Details for the Disabled Facilities Grant have not been made, an estimate of the same level as 2019/20 has been used, and is included within the capital programme, see later in this report.
109. The Council's MTFs and departmental financial planning assumptions for 2020/21 reflect the assumptions notified so far in terms of the future of the BCF, so it is important to recognise the ongoing reliance placed on these sources of funds and the risks to the Council's MTFs and sustainability plans should there be major changes, especially if these are enacted at short notice.
110. Any reduction in this funding would place additional pressure on the Council's MTFs, and 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 the CCG's as part of the BCF Refresh.

Other Grants and Funds

111. There are a number of other specific grants included in the MTFs, most of which are still to be announced for 2020/21, for example:
- Public Health – the 2020/21 allocation of £24.7m is a similar level as 2019/20 of £24.4m.
 - Education and Skills Funding Agency - no details, £4.2m estimated as 2019/20.
 - Section 31 Business Rates (Government funding for 2% cap on business rates growth and other Government measures) – current estimate for 2019/20 of £3.9m; an estimate of £3.7m has been included for 2020/21.
 - Independent Living Fund – no details, £1.2m assumed in line with 2019/20.
 - Ministry of Justice Grants – no details, £0.5m assumed in line with 2019/20.
 - Troubled Families Grant (see below) – to be confirmed, estimated at £0.8m.
 - Schools Block Dedicated Schools Grant, provisional settlement of £412m (Schools £409.7m, Growth £2.3m)
 - Central Schools Services Dedicated Schools Grant, £3.2m
 - High Needs Dedicated Schools Grant –provisional settlement of £74.2m, final settlement expected in June 2020.
 - Early Years Dedicated Schools Grant – estimate of £35.5m, pupil rates have been confirmed and the final figure is expected in May 2021 when the final census data is known.
 - New Homes Bonus – £3.7m for 2019/20 - assumed at a similar level for 2020/21 and later years, pending the Local Government Finance Settlement.
112. The 2018/19 MTFs made provision for a one-off £2m in growth for Supporting Leicestershire Families (£1m in both 2018/19 and 2019/20) to maintain the current service levels until September 2020 when it was expected that the Government would have confirmed its future funding intentions for the national Troubled Families Programme. It was recently announced that the Government

grant will be maintained in 2020/21 and it is assumed to be equal to that currently received. This means that the service can operate to the end of March 2021. A further review of resources will be undertaken early in 2020 following confirmation of the grant value. Funding intentions past this point remain uncertain.

Dedicated Schools Grant Settlement 2020/21

Schools Block

113. 2020/21 sees a further movement towards the National Funding Formula (NFF). This funds all pupils at the same rate irrespective of the authority in which they are educated. The NFF uses pupil characteristics each with a nationally set funding rate to generate school level funding to local authorities. Within the NFF only the per pupil entitlement is universal to all, other factors reflect the incidence of additional needs such as deprivation and low prior attainment. Funding levels between local authorities and individual schools within those local authorities, vary as a result of pupil characteristics rather than national funding levels.
114. School funding remains a 'soft' school funding formula for 2020/21. A 'soft' formula is where NFF calculates notional school allocations based upon pupil characteristics to generate the grant allocation, local authorities then apply their own local funding formula to generate individual school budgets. The Department for Education (DfE) has confirmed its intention to move to a 'hard' formula as soon as possible where every school budget will be set on the basis of a single, national formula. It has not given any timescale for implementation. The proposed Leicestershire school funding formula continues to reflect the NFF. For 2020/21 it is proposed to add two additional funding factors to reflect sparsity and mobility. The 2020/21 Schools Block provisional DSG settlement is £409.7m, which is based upon the 2018 October school census. This will be updated to the October 2019 school census and reissued in December.
115. Nationally schools will receive a minimum per pupil increase in funding of 1.84% per pupil with no capping on increases. Whilst there is no timescale for the implementation of the 'hard' formula for 2020 the minimum per pupil funding levels of £3,750 for primary and £5,000 for secondary have been made mandatory which is a further step toward the DfE's intention. Despite the overall increase in budget, at individual school 70 (32% of primary schools and 1 (2%) of secondary schools) remain on the funding floor with an increase of 1.84% 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.
116. Within the Schools Block, but separate to funding for individual schools, local authorities receive funding for the initial revenue costs of commissioning additional primary and secondary school places. This cannot be confirmed until the 2019 October census information is received; the allocation for 2019/20 was £2.3m. 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.

117. The revenue requirement for new schools is difficult to assess as it is dependent upon the speed of housing developments, growth in the basic need for additional school places, the school funding formula and the level and the methodology for the DSG growth funding calculation. However, early estimates suggest the cost can be managed within the existing grant. Expenditure is expected to rise annually from 2021/22 and to peak at £5m in 2023/24. Annual underspends in growth funding will be set aside in the DSG earmarked fund to meet this peak. This position will be closely monitored.

High Needs

118. It was announced in September 2019 that additional High Needs funding of £0.7m would be available to local authorities, this equated to £5.5m for Leicestershire. It is anticipated that this funding will continue and the DfE has indicated that the high-level funding increases that were also announced will include high needs increases.

119. The provisional High Needs DSG is £74.2m. This will be updated in December and again in June 2020 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 2020 Leicestershire receives the minimum guaranteed increase of 8% per pupil with the formula retaining £2.3m of protection funding, which is not guaranteed in the long term.

120. The High Needs Development Plan is the Council's approach to planning, commissioning and delivering SEND services focused on three key areas:

- To develop and embed an inclusive approach to practice amongst schools, local authority staff and other settings;
- The modernisation of SEN Services through improved commissioning, processes, decision-making and quality assurance;
- The development of a range of cost-effective, high quality provision.

121. The project is taking a holistic view of the whole SEN system. It is now fully staffed and mobilised.

122. Leicestershire continues to invest in developing additional specialist provision to reduce costs. The 2020/21 MTFs continues that approach. It includes a proposed capital programme of £17.8m and recognises that a further £10m may be required for an additional special school in the future. Whilst the DfE provides local authorities with funding to meet basic need increases in mainstream schools, no funding is available to meet the opening costs and diseconomies of scale for expanding specialist provision. The estimated revenue cost of bringing the new provision to capacity is £6.3m. This adds to the High Needs deficit.

123. The forecast position on the High Needs element of the DSG is shown below:

High Needs Financial Forecast	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
High Needs DSG	-68.7	-68.7	-68.7	-68.7	-68.7
Estimated Additional Funding- Sept 2019 Announcement		-5.5	-5.5	-5.5	-5.5
Estimated Operational Expenditure	72.3	78.6	82.2	84.9	84.9
Estimated Project Expenditure	1.4	1.1	0.3	0.0	0.0
Annual Funding Gap – pre-Development Plan Actions	5.0	5.6	8.3	10.7	10.7
Total Estimated Savings	-0.3	-3.1	-8.2	-13.5	-17.3
Total cost of commissioning new units & special schools	1.4	3.7	1.1	0.3	0.0
Annual Funding Gap	6.1	6.1	1.1	-2.5	-6.5
Recorded High Need budget variance – Period 6	-0.4				
2018/19 DSG High Needs balance b/forward	0.1				
Cumulative Funding Gap – High Needs Deficit	5.8	11.9	13.0	10.5	4.0

124. 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. However, the DfE has recently consulted on removing the need for Schools Forum approval, requiring the carry forward of a deficit and prohibiting local authorities from contributing to DSG without the approval of the Secretary of State. Whilst the DfE view is that this change would remove concerns raised by external auditors it will require local authorities to set aside revenue to offset the liability that would require savings in other areas of local authority spend. The outcome of the consultation is awaited. If approved, the changes would affect 2019/20 deficits.

Central Services Block

125. 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.

126. The DfE has stated that its expectation is that over a period of time historic costs should 'unwind', for example a reduction in pensioners. To reflect that, grant allocations have been reduced for 2020/21, for Leicestershire the reduction is £0.13m. The reduction can be partially offset against other grant funding in the short term but does create a financial pressure that will increase as further reductions are implemented. The 2020/21 provisional settlement is £3.2m, a decrease of 4.1%.

Early Years Block

127. Nationally early years funding has been increased by £66m. The grant remains determined by the number of children participating in early years education. The funding 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 increase in funding equates to 8p per hour, Leicestershire continues to receive the lowest rate per hour at £5.28 per hour for two year olds and £4.38 per hour for 3 and 4 year olds. The maximum of 5% of the overall settlement is retained to fund the early learning service which fulfils the local authority's statutory duty to ensure sufficiency of places for those parents that request one.

Budget Consultation

128. Consultation will be undertaken on the 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 18 December 2019 until 19 January 2020.

Earmarked Funds and Contingency

129. 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 2019/20 is £22m which represents 5.7% of the net budget (excluding schools' delegated budgets). It is planned to increase the General Fund to £28m 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.
- 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.
- Variability in income, particularly from asset investments

130. To put the level of resources into context: with the exclusion of schools, the County Council spends nearly £60m a month.

131. The proposed MTFs also includes a contingency of £8m in 2021/22 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.
- Pressure on demand led-budgets particularly in social care.
- Maintaining the level of investment required to deliver savings.
- New service pressures that arise (a recent example is Ash Dieback).

132. The contingency included for 2020/21 is £4m 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.
133. Other earmarked funds for revenue purposes (excluding schools' balances and partnerships), estimated at £21.7m by March 2020, 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 £46.6m by March 2020.
134. Grant Thornton, the County Council's external auditor, has reviewed the level of earmarked funds held by the County Council as part of its Value for Money review of the 2019-23 MTFS and reported no issues: 'Based on the work carried out we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.'

Climate Change

135. The Council has a long-standing commitment to the environment and has made substantial progress in reducing its carbon emissions by over 64% since 2008/9.
136. The County Council declared a Climate Emergency in May 2019 and committed to achieve carbon neutrality from its own operations by 2030. The Strategic Plan and the Environment Strategy are currently being updated to embed the new commitments into all areas of the Council's activities.
137. Examples of activities to reduce the Council's carbon emissions include:
- Switching to a green electricity tariff - all the Council's electricity now comes from renewable sources.
 - Installation of 16 electric vehicle charging points at County Hall.
 - Progression of a planning application to develop a 10-megawatt solar farm at Quorn and carbon neutral industrial units.
 - Continuation of the energy efficiency scheme for schools and council buildings
138. It is intended that the revised Environment Strategy will be taken to the Cabinet in February and the updated Strategic Plan in April; both items then to be submitted to full Council for approval in May 2020. Alongside the updating of the Environment Strategy, work has begun to produce a roadmap which will set out how the Council will meet its carbon neutral commitments. The Cabinet approved an initial budget of £0.45m to facilitate the review of the Environment Strategy and the development of the roadmap and to take immediate action to implement measures to reduce carbon emissions. Further funding requirements will be identified through the development of the carbon roadmap and included in future MTFS as required.

Concluding Comments – Revenue Position

139. 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.
140. 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 2020/21 is uncertain.
141. 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 down to a manageable level at the same time as delivering further saving initiatives, over and above those already built into the MTFS.
142. 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.
143. In addition 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 £60m of funding related to the BCF. Even a partial loss of this funding would be difficult to manage.
144. 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.
145. 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.
146. 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, such as social care. Overspends such as those experienced in Children's social care in recent years 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.

147. The County Council will be a very different organisation by 2024. 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.

148. Before a further MTFS report is considered by the Cabinet on 7 February 2020 the provisional MTFS will be reviewed and if appropriate updated in light of the latest budget monitoring position for 2019/20 and Government announcements, including the Local Government Finance Settlement.

Capital Programme 2020/21 to 2023/24

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

- To invest in priority areas of growth, including roads, infrastructure, economic growth, including the forward funding of projects;
- To invest in projects that generate a positive revenue return (spend to save);
- To invest in ways which support delivery of essential services;
- Passport Government capital grants received for key priorities for highways and education to those departments;
- Maximise the achievement of capital receipts;
- Maximise other sources of income such as bids to the LLEP, section 106 developer contributions and other external funding agencies;
- No or limited prudential borrowing (only if the returns exceed the borrowing costs).

150. The draft capital programme totals £603m over the four years to 2024, shown in detail in Appendix E. The programme is funded by a combination of Government grants, capital receipts, external contributions, revenue balances and earmarked funds.

151. The draft programme and funding is shown below:

Draft Capital Programme 2020-24

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Children and Family Services	31.7	27.0	31.3	37.7	127.7
Adults and Communities	11.1	10.3	4.9	3.9	30.2
Environment and Transport	121.1	82.1	50.4	24.9	278.5
Chief Executive's	1.0	3.9	3.7	0.1	8.7
Corporate Resources	4.3	3.6	2.4	2.5	12.8
Corporate Programme	35.3	28.4	35.5	45.4	144.6
Total	204.5	155.3	128.2	114.5	602.5

Capital Resources 2020-24

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Grants	101.5	62.9	53.3	32.5	250.2
Capital Receipts from sales	3.5	8.3	1.5	2.5	15.8
Revenue/ Earmarked funds contributions	76.3	0.0	0.0	0.0	76.3
External Contributions	19.7	13.1	3.0	7.7	43.5
Total	201.0	84.3	57.8	42.7	385.8
Funding Required	3.5	71.0	70.4	71.8	216.7

152. 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 and included in the capital programme as appropriate. A fund of £60m is included in the draft capital programme. The balance on the existing fund has been added to the new capital programme.

153. The proposed programme can be summarised as:

Service Improvements	£247m
Investment for Growth	£196m
Invest to Save	£100m
Future Developments	£60m
Total	£603m

Funding and Affordability**Forward Funding**

154. The County Council recognises the need to forward fund investment in infrastructure projects to enable new schools and roads to be built and unlock growth in Leicestershire before funding, mainly from section 106 developer contributions, is received. Forward funding of £28m for schools and £73m for

highways has been included within the capital programme. When the expected developer contributions are received, they will be earmarked to the capital programme, to reduce the dependency on internal cash balances in the future.

155. Forward funding presents a significant financial commitment for the County Council, but should ensure:
- External funding is maximised, through successful bids.
 - The final cost of infrastructure investment is reduced (compared with what it would be if construction was delivered incrementally as and when smaller developments come forward).
 - The design is optimised, to benefit of the local community.
156. The MTFs also includes additional revenue income from district councils from a share of the estimated increase in council tax and business rates generated as a result of the investment.
157. There are risks involved in managing and financing a programme of this size. There is reduced scope for funding additional schemes that are identified in the future. And an increased reliance on developer contributions through section 106 agreements means that it may take many years for investment to be repaid. This could be further compounded in the event of an economic slowdown. To this end, support of district councils is essential to ensure the agreements reached with developers mitigate these risks.
158. And given the benefits to Leicestershire that the increased investment will bring it is considered that district councils should share in these risks in a proportionate way. The County will look to develop risk-sharing agreements with districts in relation to major infrastructure schemes being progressed in their areas; district councils will benefit directly through additional tax revenues and increases in government grants. However, the circumstances around individual projects vary hence unique agreements will be required for each district council.
159. The risk with forward funding is that insufficient or delayed contributions, from developers, will fall upon the County Council. A key determinant in generating sufficient developer contributions is the approach taken by the district council, as the planning authority. The district council will set the local planning context against which section 106 agreements will be agreed and ultimately decide on planning permission. The agreement will ensure the County Council and district council work together effectively, for mutual benefit.
160. Given the overall level of forward funding, over £100m, it is imperative that these agreements provide some protection to the County Council.
161. A significant problem associated with funding major infrastructure projects is the way in which capital funding is allocated. Significant resource needs to be invested in developing bids which may ultimately not be successful. Whilst it is important that robust business cases are developed to ensure the benefits of the project are sufficient to justify the investment, the fact that successful bids also need a degree of match/local funding to supplement grant money means that

overall tight capital programmes become even more stretched. The County Council considers that such an approach is unsustainable and needs to be reviewed and will continue to raise this with central government.

162. The East Midlands is disadvantaged in terms of the ability to influence Government and attract investment or devolution opportunities compared to the West Midlands. There is an elected mayor and a combined authority for the West Midlands. Their most recent devolution deal (2017) includes £6m for a housing delivery taskforce, £5m for a construction skills training scheme and £250m to be spent on local intra-city transport priorities. The first devolution deal (2015) included over £1bn investment to boost the West Midlands economy.

Capital Grants

163. Grant funding is the largest source of financing for the capital programme and totals £250m across the 2020-24 programme. The majority of grants are awarded by Government departments including the DfE and the Department for Transport (DfT).

Children and Family Services

164. 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 2020/21 (£8.8m). No details have been announced for future years. An estimate of £8.8m per annum has been used for 2021/22 to 2023/24.
- b) Strategic Capital Maintenance – this grant provides the maintenance funding for the maintained school asset base. Details of the grant for 2020/21 and future years have not yet been announced. An estimate of £2m per annum is included in the capital programme. It is expected that this grant will continue but will reduce as further schools convert to academy status.
- c) Devolved Formula Capital (DFC) - funding provided to schools. The DfE has not yet announced details of grant allocations. However, an estimate of £0.5m per annum can be made, based on the number of maintained schools.
- d) Special Provision Fund – DfE grant allocation of £1.2m for 2020/21 has 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 2022/23 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.

Adult Social Care

165. Capital funding for the Disabled Facilities Grant (DFG) programme has not yet been announced. An estimate in line with previous years, £3.9m per annum has been included in the capital programme.

Environment and Transport

166. The DfT has informed local authorities of an indicative amount they will receive in capital grant for the Local Transport Plan (LTP) for 2020/21. Estimates at the same level have been included for later years. The funding includes two elements:

- a) Improvement Schemes - £2.7m p.a. (£10.9m overall).
- b) Maintenance funding - £11.4m p.a. (£45.8m overall)

167. Other significant Environment and Transport capital grants included are:

- DfT Melton Mowbray Distributor Road funding - £49.5m.
- Housing Infrastructure Fund – Melton Southern Distributor Road - £14.7m
- Housing Infrastructure Fund – Lutterworth Spine Road - bid of £31m
- Homes England – Lutterworth Spine Road - £8.1m.

Chief Executive's

168. The programme includes capital grant of £5.6m for the 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

169. The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £16m across the four years to 2023/24. This position includes the delay of £9m in capital receipts from 2019/20.

170. 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% of future sales subject to planning permission has been included in the £16m estimate.

Revenue / Earmarked Funds/ Contributions

171. The capital strategy recognises the need to limit the need for prudential (unsupported by Government) borrowing and the associated financing costs. A total of £76m has been included in the draft programme funded from:

One-off MTFS 2020-24 revenue contributions	£31m
Departmental earmarked funds	£4m
Capital Financing earmarked fund	£28m
Future Developments fund	£13m
Total	£76m

172. The capital financing earmarked fund temporarily holds previous years' revenue contributions to fund the capital programme until they are required. The balance includes a contribution to the Environment and Transport revenue budget for the substitution of £5m in Environment and Transport capital grants.
173. 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

174. A total of £43m is included in the funding of the capital programme 2020-24. This includes £32m from section 106 developer contributions.

Funding from internal balances

175. A total of £217m in funding required is included within the capital programme to fund the programme and enable investment in schools and highway infrastructure to be made. Over the next 10 to 15 years it is anticipated that circa £100m of this funding will be repaid through the associated section 106 developer contributions.
176. Due to the strength of the County Council's balance sheet, it is possible to use internal balances (cash balances) to fund the capital programme on a temporary basis instead of raising new loans. Levels of cash balances held by the Council, currently £280m, comprise the amounts held for earmarked funds, provisions, Minimum Revenue Provision (MRP) set aside for the repayment of debt, and working capital of the Council. The cost of raising of external loans currently exceeds the cost of interest lost on cash balances by circa 2.5%.
177. The overall cost of using internal balances to fund £217m of investment is estimated to be £8m per annum by 2024/25, comprising MRP of £6m and reduced interest from investments of £2m. This is a prudent assessment as the impact will reduce in future years as the funding is repaid.
178. The County Council's current level of external debt is £264m. As described above this is not anticipated to increase during the MTFS.

Departmental Programmes

Children and Family Services

179. The draft programme totals £128m over the four years 2020/21 to 2023/24. 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. The programme includes £28m of forward funding of section 106 developer contributions to be received in the future.
180. The programme includes £99m investment to build accommodation where additional pupil places are needed, £18m 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 (£11m) through the strategic capital maintenance and schools devolved capital funds.

Adults and Communities

181. The draft programme totals £30m.
182. The programme includes £16m relating to the 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.
183. The programme includes capital investment for the Record Office Relocation £7.0m (total £10m including spend in 2019/20) and investment in the Social Care Improvement Programme (SCIP) with the completion of a Specialist Dementia Facility in Coalville £5.5m (total £10m including spend in 2019/20).
184. Additional funding of £0.5m is being requested for refurbishment works at The Trees, Hinckley – to enable long-stay residential services to continue. This is in addition to the £0.6m budget in the 2019/20 capital programme. During the detailed design phase changes were required due to challenges with the existing footprint, and work on essential safety and energy issues, including new sprinklers, doors, windows and roof works.

Environment and Transport

185. The programme totals £278m over the four years 2020-24. The main areas are:
- Lutterworth Development Infrastructure - £81m. Highways and enabling works including the spine road and related infrastructure (total scheme £86m, including £5m in the 2019/20 capital programme) is partly funded by a £8.1m Homes England Grant and a £31m HIF grant bid with the balance requiring forward funding by the Council of developer contributions that will be received after the road is completed. Should the HIF grant bid be unsuccessful then a decision on the timing of the scheme and additional funding required will need to be taken.

- Melton Mowbray Distributor Road – North and East section - £60m. Construction of the new road (total scheme £64m, including prior year funding) is partly funded by £50m DfT grant and the balance is funded by developer contributions that will be received after the road is completed.
- Melton Mowbray Distributor Road Southern section - £28m. Construction of new road is partly funded by an approved £14m HIF grant and forward funding of developer contributions.
- A legal risk-sharing agreement with Melton Borough Council will include the need to ensure that additional tax revenues and increases in government grants generated from the consequential housing in the area are used towards the scheme.
- Transport Asset Management Programme - £56m. This ensures that transport assets such as roads and footways are well managed. The programme includes an adjustment in each year of £1.2m reduction in respect of a substitution of capital funding to offset revenue expenditure that supports the delivery of revenue savings in the Department.
- County Council Vehicle Programme - £7m. Investment in new vehicles to replace aged vehicles and reduce running costs.
- Zouch Bridge - £6m. Additional funding to the £3m in the current MTFS for construction and enabling works of a new bridge across the A6006 following increased costs due to significant delays on the project and necessary design changes.
- The Environment and Waste programme totals £11m. The programme includes a new Waste Transfer Station Development (£4m), redevelopment works at Kibworth Recycling and Household Waste Site (£5m), and a programme of general improvements, including resurfacing, security, safety and drainage, across the other recycling and household waste sites.

Chief Executive's

186. The programme totals £9m. The main scheme is the Rural Broadband Phase 3 and phase 3 extension programme, £8.4m. The project will be expanded following a government grant awarded for £5.6m to further extend superfast rural broadband. The departmental programme also includes Leicestershire Community Grants, totalling £0.4m across the four years to 2024.

Corporate Resources

187. The programme totals £13m for 2020-24 with the main priorities for investment being:

- Investment in the ICT upgrade and replacement programme, £7m, including Workplace Strategy, Corporate ICT programme and the replacement of the local area network.
- Property Services, £4m – mainly completion of the Snibston and Country Park Future Strategy work
- Energy and Water Strategy (£2m) to reduce energy consumption across the Council's property estate to deliver ongoing efficiency savings and reduce carbon emissions.

Corporate Programme

188. The corporate programme totals £145m for 2020-24. The main area is the investment in the Corporate Asset Investment Fund (CAIF), totalling £85m, 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).
189. The latest CAIF strategy includes investment opportunities that would increase the overall CAIF programme to £260m. Current holdings plus schemes in the 2019/20 and draft 2020-2024 capital programme will result in a total holding of £203m. A balance of £57m has been included for new asset investments.
190. Within the CAIF programme additional funding of £0.5m is being sought for the development of commercial offices at the Loughborough University Science and Enterprise Park (£22m overall project). This has resulted from pro-longed periods of inclement weather and additional works required on the fit out of the building.
191. The corporate programme also includes additional funding of £60m for the Future Developments fund. The 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, and investment in the efficiency and productivity programme. The list of future developments is continually refreshed. Bids from the fund will be managed through prioritisation and where possible the identification of alternative funding sources. 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

192. The capital programme totals £603m over the four years to 2023/24. The Council recognises the need to fund long term investment and has set a capital programme that includes forward funding of capital infrastructure projects for schools and highways of £100m.
193. However, 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.

194. Overall £217m from internal cash balances will be used to fund the cash flow of capital programme. The additional revenue costs arising from this total £8m per annum.
195. 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.
196. A significant portion of the programme enables revenue savings; delays or unsuccessful schemes will directly affect the revenue position.
197. 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.

Equality and Human Rights Implications

198. 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.
199. 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.
200. 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

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

Environmental Implications

202. The MTFS includes schemes to support the Council's response to climate change and to make environmental improvements.

Partnership Working and Associated Issues

203. 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

204. 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 20th February 2019: Medium Term Financial Strategy 2019/20 - 2022/23

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=5125&Ver=4>

County Council Strategic Plan

<https://www.leicestershire.gov.uk/about-the-council/council-plans/the-strategic-plan>

Appendices

Appendix A: Four Year Revenue Budget 2020/21 to 2023/24

Appendix B: 2020/21 Revenue Budget

Appendix C: Savings 2020/21 to 2023/24

Appendix D: Growth 2020/21 to 2023/24

Appendix E: Capital Programme 2020/21 to 2023/24

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APPENDIX A

2020/21 - 2023/24 REVENUE BUDGET *

	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	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2022/23
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending																	
Services :																	
Children & Family Services	73,918	1,126	7,795	-1,925	80,914		4,200	-670	84,444		4,350	-700	88,094		4,550	-700	91,944
Adults & Communities	137,713	9,775	2,845	-7,250	143,083		1,735	-1,195	143,623		2,290	-170	145,743		2,350	-100	147,993
Public Health **	-486	706	20	-905	-665		20	-100	-745			-65	-810				-810
Environment & Transport	67,016	2,176	11,700	-345	80,547		-3,150	-390	77,007		800	-440	77,367		600	-290	77,677
Chief Executives	10,623	347	800	-135	11,635		75		11,710				11,710				11,710
Corporate Resources	32,930	1,905	565	-2,595	32,805	1,000	-100	-1,190	32,515		-100	-290	32,125		-100	-530	31,495
	321,714	16,035	23,725	-13,155	348,319	1,000	2,780	-3,545	348,554	0	7,340	-1,665	354,229	0	7,400	-1,620	360,009
DSG (Central Dept recharges)	-922	-1,457			-2,379				-2,379				-2,379				-2,379
Other corporate growth & savings	-300			-50	-350		6,520	-50	6,120		5,660	-50	11,730		5,600		17,330
MTFS Risks Contingency	0	4,000			4,000	4,000			8,000				8,000				8,000
Contingency for inflation/ Living Wage	13,900	900			14,800	13,330			28,650	14,200			42,850	15,400			58,250
	334,392	19,478	23,725	-13,205	364,390	18,330	9,300	-3,595	388,945	14,200	13,000	-1,715	414,430	15,400	13,000	-1,620	441,210
Central Items:																	
Financing of capital	22,600	100		-3,500	19,200	300			19,500	2,100			21,600	3,000			24,600
Revenue funding of capital	31,360	-5,230			26,130	-25,130			1,000				1,000				1,000
Revenue funding of capital - BR Pilot	6,600	-6,600			0				0				0				0
Central expenditure	2,832	-72		-40	2,720	-50		-40	2,630	-50		-40	2,540	-50			2,490
Central grants and other income	-26,375	-6,965			-33,340	15,940			-17,400	500			-16,900	600			-16,300
Total Spending	371,410	710	23,725	-16,745	379,100	9,390	9,300	-3,635	394,675	16,750	13,000	-1,755	422,670	18,950	13,000	-1,620	453,000
Contributions to/from General Fund	6,000				6,500				0				0				0
Budget Requirement	377,410				385,600				394,675				422,670				453,000
Funding																	
Business Rates - Top Up	-39,674				-37,770				-35,580				-33,400				-31,250
Business Rates Baseline/Retained	-23,455				-23,990				-24,475				-24,960				-25,460
S31 grants - Business Rates	-3,585				-3,660				-3,730				-3,800				-3,870
Business Rates - Levy surplus	-934				0				0				0				0
Business Rates Pilot - one off additional income	-6,600				0				0				0				0
Council Tax Collection Fund net deficit / (surplus)	-1,539				-1,500				-1,000				0				0
Council Tax	-301,623				-318,680				-329,890				-341,510				-353,530
	-377,410				-385,600				-394,675				-403,670				-414,110
VARIANCE	0				0				0				19,000				38,890
<i>Band D Council Tax</i>	<i>£1,292.18</i>				<i>£1,343.73</i>				<i>£1,370.48</i>				<i>£1,397.74</i>				<i>£1,425.56</i>
<i>Increase</i>	<i>3.99%</i>				<i>3.99%</i>				<i>1.99%</i>				<i>1.99%</i>				<i>1.99%</i>

* provisional for 2021/22 and later years

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

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APPENDIX B**REVENUE BUDGET 2020/21**

	Base including inflation £000	Growth £000	Savings £000	TOTAL £000
Spending				
Services :				
Schools *				0
Children & Family Services	75,044	7,795	-1,925	80,914
Adults & Communities	147,488	2,845	-7,250	143,083
Public Health **	220	20	-905	-665
Environment & Transport	69,192	11,700	-345	80,547
Chief Executives	10,970	800	-135	11,635
Corporate Resources	34,835	565	-2,595	32,805
	337,749	23,725	-13,155	348,319
Dedicated Schools Grant (Central Dept recharges)	-2,379			-2,379
Other corporate growth & savings	-300		-50	-350
MTFS Risks Contingency	4,000			4,000
Contingency for inflation/ Living Wage	14,800			14,800
	353,870	23,725	-13,205	364,390
Central Items:				
Financing of capital	22,700		-3,500	19,200
Revenue funding of capital	26,130			26,130
Central expenditure	2,760		-40	2,720
Central grants and other income	-33,340			-33,340
Total Central Items	18,250	0	-3,540	14,710
Total Spending	372,120	23,725	-16,745	379,100
Contribution to General Fund				6,500
Budget Requirement				385,600
Funding (provisional)				
Business Rates - Top Up				-37,770
Business Rates Baseline / retained				-23,990
S31 grants - Business Rates				-3,660
Council Tax Collection Fund net deficit / (surplus)				-1,500
Council Tax				-318,680
				-385,600
Council Tax				
Council Tax Base (provisional)				237,156.15
Band D Council Tax				£1,343.73
Increase on 2019/20 (£1,292.18)				3.99%

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

** Public Health funded by Grant

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References	<u>SAVINGS</u>		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<u>References used in the following tables</u>						
* 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						
<u>CHILDREN & FAMILY SERVICES</u>						
* CF1	Eff	New Departmental Operating Model	-100	-100	-100	-100
** CF2	Eff	Reduction in Social Care Placement costs	-1,500	-2,200	-2,900	-3,600
* CF3	Eff/SR	Early Help Review	-250	-250	-250	-250
* CF4	Eff	Review of staff absence	-75	-75	-75	-75
* CF5	Inc	Academy conversion (reduced numbers)	0	30	30	30
TOTAL			-1,925	-2,595	-3,295	-3,995
<u>ADULTS & COMMUNITIES</u>						
<u>Adult Social Care</u>						
* AC1	Eff	Review of individual long term residential placement costs	-250	-250	-250	-250
* AC2	Eff	Review of staff absence	-165	-165	-165	-165
** AC3	Inc	Increased service user income	-100	-200	-300	-400
* AC4	Eff	Place to Live - reduced cost of care	-25	-50	-50	-50
AC5	Eff	Implementation of Target Operating Model	-5,000	-6,000	-6,000	-6,000
** AC6	Eff/Inc	Reduced financial growth following demand management improvement	-1,000	-1,000	-1,000	-1,000
AC7	Inc	Additional Better Care Protection Income	-400	-400	-400	-400
Total ASC			-6,940	-8,065	-8,165	-8,265
<u>Communities and Wellbeing</u>						
** AC8	Eff/SR	Implementation of revised service for communities and wellbeing	-310	-380	-450	-450
Total C&W			-310	-380	-450	-450
TOTAL A&C			-7,250	-8,445	-8,615	-8,715
<u>PUBLIC HEALTH</u>						
** PH1	Eff/SR	Early Help & Prevention Review - review of externally commissioned prevention services	-350	-450	-515	-515
* PH2	Eff	Redesign Integrated Lifestyles service	-45	-45	-45	-45
* PH3	Eff	Review of staff absence	-10	-10	-10	-10
* PH4	Eff	0-19 Health Visiting & School Nursing service	-500	-500	-500	-500
TOTAL			-905	-1,005	-1,070	-1,070
<u>ENVIRONMENT & TRANSPORT</u>						
<u>Highways & Transport</u>						
** ET1	SR	Revise Passenger Transport Policy - reprofiled	60	60	0	0
** ET2	Eff/SR	Implement Review of Social Care and SEN Transport (Phase 2)	240	0	0	0
* ET3	Eff	Review of staff absence	-25	-25	-25	-25
Total			275	35	-25	-25
<u>Environment & Waste</u>						
* ET5	Eff/SR/Inc	Recycling & Household Waste Sites service approach	-140	-170	-220	-330
** ET6	Inc	Trade Waste income	-80	-110	-140	-170
** ET7	Eff	Future residual waste strategy - reduced disposal costs	-300	-390	-690	-840
ET8	Inc	Green Waste tonnage restrictions	-75	-75	-75	-75
ET9	Eff	Procurement savings from contract renewals	-25	-25	-25	-25
Total			-620	-770	-1,150	-1,440
TOTAL E&T			-345	-735	-1,175	-1,465
<u>CHIEF EXECUTIVE</u>						
* CE1	Inc	Legal Services - Income	-40	-40	-40	-40
* CE2	SR/Eff	Review of grants and contracts across Communities, Policy and Resilience services	-85	-85	-85	-85
* CE3	Inc	Planning, Historic and Natural Environment -Fee Income	-10	-10	-10	-10
TOTAL			-135	-135	-135	-135

References	<u>SAVINGS</u>		2020/21	2021/22	2022/23	2023/24
			£000	£000	£000	£000
	<u>CORPORATE RESOURCES</u>					
* CR1	Eff	Review of staff absence	-25	-25	-25	-25
* CR2	Eff	Workplace Strategy - optimising building/office use	0	-200	-300	-600
** CR3	Eff/Inc	Increasing Commercial Services contribution	250	0	-100	-250
* CR4	Eff	Environment improvements - energy & water	-70	-120	-170	-170
* CR5	Inc	Environment improvements - Score + energy efficiency scheme	-50	-100	-100	-100
* CR6	Eff	Returns from Corporate Asset Investment Fund	-2,400	-3,000	-3,000	-3,000
** CR7	Eff	Review financial provision for future liabilities	-300	-300	-300	-300
** CR8	Inc	Place to Live - Accommodation income	0	-40	-80	-160
		TOTAL	-2,595	-3,785	-4,075	-4,605
	<u>CORPORATE SAVINGS</u>					
* CS1	Eff	ICT implementation of digital initiatives	-50	-100	-150	-150
		TOTAL	-50	-100	-150	-150
	<u>CENTRAL ITEMS</u>					
* CI1	Inc	Growth in ESPO income	-40	-80	-120	-120
* CI2	N/A	Minimum Revenue Provision (MRP) - policy change	-3,500	-3,500	-3,500	-3,500
		TOTAL	-3,540	-3,580	-3,620	-3,620
		TOTAL (including additional income)	-16,745	-20,380	-22,135	-23,755
		MTFS net shortfall - savings required	0	0	-19,000	-38,890
		TOTAL SAVINGS REQUIRED - EXCLUDING DSG	-16,745	-20,380	-41,135	-62,645
		<u>Dedicated Schools Grant Savings</u>				
Eff		High Needs Development Plan	-2,830	-7,920	-13,250	-17,010
		TOTAL SAVINGS REQUIRED - INCLUDING DSG	-19,575	-28,300	-54,385	-79,655

APPENDIX D

References	<u>GROWTH</u>	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
	<u>CHILDREN & FAMILY SERVICES</u>				
	<u>Demand & cost increases</u>				
** G1	Demographic growth- Social Care Placements	4,250	7,200	10,300	13,600
* G2	Removal of time-limited growth - Supporting Leicestershire Families - transition to a new model when external funding ceases	-1,000	-1,000	-1,000	-1,000
* G3	Special Education Needs Assessment Service - increased demand on service	135	135	135	135
G4	Front-line social care staff - increased caseloads	2,400	3,380	4,360	5,340
G5	Social Care market premia to support recruitment	600	620	640	660
G6	Educational Psychology Service - increased demand	300	300	300	300
G7	Loss of SEN Reform Grant	310	310	310	310
G8	Pupil Referral Unit (PRU) Transport - increased demand	50	50	50	50
G9	Unaccompanied Asylum Seekers - additional demand	750	1,000	1,250	1,500
	TOTAL	7,795	11,995	16,345	20,895
	<u>ADULTS & COMMUNITIES</u>				
	<u>Demand & cost increases</u>				
** G10	Older people - new entrants and increasing needs in community based services and residential admissions	975	2,005	3,150	4,390
** G11	Learning Disabilities - new entrants including children transitions and people with complex needs	1,030	1,360	1,995	2,610
** G12	Mental Health - new entrants in community based services and residential admissions	315	565	855	1,145
** G13	Physical Disabilities - new entrants in community based services	115	240	460	665
	<u>Other increases</u>				
* G14	Transforming Care - transfers from Health	360	360	360	360
G15	Smart Libraries support costs	50	50	50	50
	TOTAL	2,845	4,580	6,870	9,220
	<u>PUBLIC HEALTH</u>				
	<u>Demand & cost increases</u>				
* G16	Integrated Sexual Health Service - increased testing	20	40	40	40
	TOTAL	20	40	40	40
	<u>ENVIRONMENT & TRANSPORT</u>				
	<u>Highways & Transport</u>				
	<u>Demand & cost increases</u>				
** G17	Special Educational Needs transport - increased client numbers/costs	2,600	3,100	3,700	4,300
G18	Additional posts to support the expanded capital programme	300	300	300	300
G19	Market premia to support recruitment of key posts	270	270	270	270
G20	Additional posts - support SEND transport demand	85	85	85	85
G21	Developing external funding bids	200	0	0	0
G22	Community and parish engagement	100	100	100	100
G23	School Crossing Patrols - replace lost funding	275	275	275	275
G24	Forestry - Additional tree maintenance activity	100	100	100	100
G25	Highways Maintenance - base services/ keeping Network safe	3,500	3,500	3,500	3,500
G26	Highways - other initiatives (flooding, drainage, lining, speed measures etc)	3,700	0	0	0
	Total	11,130	7,730	8,330	8,930
	<u>Environment & Waste</u>				
	<u>Demand & cost increases</u>				
* G27	Waste tonnage increases	250	500	750	750
G28	Climate change / waste initiatives staffing	270	270	270	270
G29	Contribution to Regional Waste Project	50	50	0	0
	Total	570	820	1,020	1,020
	TOTAL E&T	11,700	8,550	9,350	9,950

* items unchanged from previous Medium Term Financial Strategy

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

References	<u>GROWTH</u>	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
	<u>CHIEF EXECUTIVES</u>				
	<u>Demand & cost increases</u>				
* G30	Hardship and Crisis Support Service	60	60	60	60
G31	Increased demand on Coroner's Service	100	100	100	100
G32	Registrar of births and deaths - legislation changes	25	25	25	25
G33	Business Intelligence - support C&FS and E&T	115	190	190	190
	<u>Other growth</u>				
G34	Growth Unit - manage increased infrastructure programme	500	500	500	500
	TOTAL	800	875	875	875
	<u>CORPORATE RESOURCES</u>				
	<u>Demand & cost increases</u>				
G35	Strategic Property Services - support for increased infrastructure programme	120	120	120	120
G36	Customer Service Centre - support service levels	300	200	100	0
G37	Improved complaints handling	45	45	45	45
G38	Developing Country Parks	100	100	100	100
	TOTAL	565	465	365	265
	<u>CORPORATE GROWTH</u>				
** G39	Growth contingency	0	6,520	12,180	17,780
	TOTAL	0	6,520	12,180	17,780
	TOTAL GROWTH	23,725	33,025	46,025	59,025
	<i>Overall net additional growth</i>		9,300	13,000	13,000

* items unchanged from previous Medium Term Financial Strategy

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

CHILDREN & FAMILY SERVICES - CAPITAL PROGRAMME 2020/21 to 2023/24 - Draft

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Estimated Completion Date	Gross Cost of Project £000		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
		MAIN GRANT FUNDING PROGRAMME					
Mar-24	98,950	Provision of Additional School Places	19,180	24,170	20,600	35,000	98,950
		SEND Programme					
Mar-21	1,400	Social Emotional Mental Health (SEMH) Units	1,400				1,400
Mar-21	1,000	SEMH Special School - LA Developed	1,000				1,000
Mar-23	8,000	SEMH Special School - Free School	0	0	8,000		8,000
Mar-21	1,430	Post 16 SEND Provision	1,430				1,430
Mar-21	1,500	Communication and Interaction Difficulty Units	1,500				1,500
Mar-21	4,100	Communication and Interaction Difficulty School	4,100				4,100
Mar-21	350	Expansion of Special Schools	350				350
		Sub-total - SEND Programme	9,780	0	8,000	0	17,780
Mar-24	8,000	Strategic Capital Maintenance	2,000	2,000	2,000	2,000	8,000
Mar-24	2,000	Schools Devolved Formula Capital	500	500	500	500	2,000
Mar-24	800	Schools Access / Security	200	200	200	200	800
		Other Capital	2,700	2,700	2,700	2,700	10,800
Mar-22	150	Modular Replacements - Removal and feasibility	50	100			150
		Overall Total	31,710	26,970	31,300	37,700	127,680

Future Developments - subject to further detail and approved business cases							
		New Area Special School					
		Additional School Infrastructure arising from Housing Developments					
		SEN Provision arising from new housing development					
		Residential Strategy - tbc					

ADULTS & COMMUNITIES - CAPITAL PROGRAMME 2020/21 to 2023/24 - Draft

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Estimated Completion Date	Gross Cost of Project £000		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Mar-23	10,000	Record Office Relocation (commitments b/f)	420	5,580	1,000		7,000
Mar-22	3,730	Hamilton Court/Smith Crescent - NWL Development - Improved Service User Accommodation	130	800			930
Mar-21	1,100	Hinckley, the Trees Refurbishment (commitments b/f)	500				500
Mar-24	15,680	Disabled Facilities Grant (DFG)	3,920	3,920	3,920	3,920	15,680
			4,970	10,300	4,920	3,920	24,110
		Social Care Investment Plan (SCIP):					
Mar-21	570	Loughborough - Ashby Court - Refurbishment	570				570
Mar-21	5,500	Specialist Dementia Facility - Coalville	5,500				5,500
		Sub-Total SCIP	6,070	0	0	0	6,070
		Total A&C	11,040	10,300	4,920	3,920	30,180

Future Developments - subject to further detail and approved business cases

Heritage and Learning Collections Hub						
Adult Accommodation Strategy (Social Care Investment Plan)						
Digital for A&C						

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2020/21 to 2023/24 - Draft

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Estimated Completion Date	Gross Cost of Project £000		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
		<u>Major Schemes</u>					
Mar-23	86,000	Lutterworth Development - Infrastructure (subject to grant bid)	47,000	29,000	5,000		81,000
Mar-23	63,500	Melton Mowbray Distributor Road - North and East Sections	25,140	25,000	9,420		59,560
Mar-24	27,900	Melton Distributor Road Southern Section	1,500	4,000	14,200	8,200	27,900
Mar-22	9,380	Zouch Bridge Replacement - Construction and Enabling Works	3,740	2,410			6,150
Mar-21	24,870	M1 Junction 23 / A512 Improvements	8,730				8,730
Mar-24	7,390	County Council Vehicle Replacement Programme	2,890	1,500	1,500	1,500	7,390
Mar-24	6,860	Advance Design / Match Funding	1,970	1,670	1,620	1,600	6,860
Mar-22	3,700	A511/A50 Major Road Network - Advanced design	1,960	1,740			3,700
Mar-21	9,100	Anstey Lane A46 (subject to £4.1m Leicester City contribution)	3,050				3,050
Mar-22	1,500	M1 Junction 20a - Advanced design	1,000	500			1,500
Mar-23	5,300	Melton Depot - Replacement	0	0	5,000		5,000
			96,980	65,820	36,740	11,300	210,840
Mar-24	35,040	<u>Transport Asset Management</u>		11,680	11,680	11,680	35,040
Mar-21	1,690	Capital Schemes and Design	1,690				1,690
Mar-21	630	Bridges	630				630
Mar-21	440	Flood Alleviation- Environmental works	440				440
Mar-21	250	Street Lighting	250				250
Mar-21	110	Traffic Signal Renewal	110				110
Mar-21	4,060	Preventative Maintenance - (Surface Dressing)	4,060				4,060
Mar-21	6,410	Restorative (Patching)	6,410				6,410
Mar-21	2,200	Additional Highways Maintenance	2,200				2,200
Mar-24	5,010	Additional Highway incentive fund subject to meeting level 3 criteria	0	1,670	1,670	1,670	5,010
Mar-21	250	Safety Schemes	250				250
Mar-21	300	Croft-Billesdon Depot Scheme	100				100
Mar-22	110	Highways Maintenance - IT renewals	80	30			110
			16,220	13,380	13,350	13,350	56,300
		<u>Environment & Waste</u>					
Mar-22	5,500	Kibworth Site Redevelopment (Commitments b/f)	2,510	2,500			5,010
Mar-21	9,000	Waste Transfer Station Development (Commitments b/f)	4,400				4,400
Mar-24	1,750	Recycling Household Waste Sites Improvements and works	850	350	350	200	1,750
Mar-21	180	Recycling Household Waste Sites Improvements - Drainage	180				180
			7,940	2,850	350	200	11,340
		Total E&T	121,140	82,050	50,440	24,850	278,480
		Future Developments - subject to further detail and approved business cases					
		A511 Corridor Construction - Major Roads Network					
		New Melton RHWS					
		Additional bid development/match funding for major infrastructure					
		Windrow Composting Facility					
		Compaction equipment					
		Whetstone mobile plant					
		Speed Cameras - Roll out					
		Vehicle Replacement - addtl requirement, subject to business case					

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2020/21 to 2023/24 - Draft

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Estimated Completion Date	Gross Cost of Project £000		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Mar-24	400	Leicestershire Grants	100	100	100	100	400
Mar-22	2,900	Rural Broadband Scheme - Phase 3	890	1,840			2,730
Mar-23	5,630	Rural Broadband Scheme - Phase 3 Extension (tbc)	0	2,000	3,630		5,630
		Total Chief Executives	990	3,940	3,730	100	8,760

Future Developments - subject to further detail and approved business cases							
		Relocation of Hinckley Registry Office					
		Rural Broadband Scheme - Phase 4					

CORPORATE RESOURCES - CAPITAL PROGRAMME 2020/21 to 2023/24 - Draft

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Estimated Completion Date	Gross Cost of Project £000		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
		<u>ICT</u>					
Mar-22	900	Local Area Network (LAN) Edge Refresh - County Hall & Remote sites	0	200			200
Mar-21	120	Replacement ITSM toolset and User Portal (Marval replacement project)	120				120
Apr-21	100	Wireless Controller Refresh	100				100
Mar-24	1,580	Corporate ICT Programme	280	300	500	500	1,580
Mar-24	800	Workplace Strategy - ICT Infrastructure	250	250	250	250	1,000
Mar-24	3,700	Workplace Strategy - End User Device (PC, laptop)	1,000	900	800	1,000	3,700
		Sub total ICT	1,750	1,650	1,550	1,750	6,700
		<u>Property Services</u>					
Mar-24	1,400	Workplace Strategy - property costs, dilapidations and refurbishments	200	400	400	400	1,400
Mar-21	2,600	Snibston & Country Park Future Strategy - Masterplan	1,000				1,000
Mar-21	3,200	Snibston & Country Park Future Strategy - Land remedial works and covenant	880				880
Mar-23	440	County Hall Lift Replacement Scheme	110	220	110		440
		Sub total Strategic Property	2,190	620	510	400	3,720
		<u>Climate Change - Environmental Improvements</u>					
Mar-22	1,000	Score + (Schools Energy Efficiency Scheme)	0	1,000			1,000
Mar-24	1,260	Energy & Water Strategy - Invest to save	280	330	330	320	1,260
Mar-21	50	Electric Vehicle Car Charge Points	50				50
		Sub total Energy	330	1,330	330	320	2,310
		Total Corporate Resources	4,270	3,600	2,390	2,470	12,730

Future Developments - subject to further detail and approved business cases							
		Commercial Strategy - Beaumanor Outdoor					
		Romulus Court - Relocation of Data Centre					
		Major System Replacements, IAS, Mosaic, Capita One, STADS, PAMS, s106 system					
		Workplace Strategy - Eastern Annexe Reconfiguration, Pen Lloyd Generator, Mobile phone Handset Refresh plus others					
		Battery Storage					

CORPORATE - CAPITAL PROGRAMME 2020/21 to 2023/24 - Draft

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Estimated Completion Date	Gross Cost of Project £000		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
		Corporate Asset Investment Fund (CAIF)					
Mar-21	22,250	Commerical Office Development at Loughborough University Science & Enterprise Park (LUSEP)	10,750				10,750
Mar-22	6,400	Quorn Solar Farm	6,000	400			6,400
Mar-22	7,600	Quorn Barrow Road Industrial Units (Carbon Neutral)	2,000	5,600			7,600
Mar-21	1,120	Lutterworth East - Planning and Pre-Highway construction Works	1,120				1,120
Mar-24	800	County Farms Estate - General Improvements	200	200	200	200	800
Mar-24	1,000	Industrial Properties Estate - General Improvements	250	250	250	250	1,000
Mar-24	57,000	Asset Acquisitions / New Investments - subject to Business Case	0	7,000	20,000	30,000	57,000
		Sub total CAIF	20,320	13,450	20,450	30,450	84,670
		Future Developments					
Mar-24	60,000	Future projects - subject to business cases	15,000	15,000	15,000	15,000	60,000
		Total Corporate Programme	35,320	28,450	35,450	45,450	144,670

Future Developments - subject to further detail and approved business cases							
		CAIF - Asset Acquisitions / New Investments					
		Airfield Business Park Phase 2					
		Bardon Interlink					
		Billesdon Employment Units					
		East of Lutterworth SDA - Phase 2					
		Leaders Farm Phase 2					
		Stoney Stanton SDA					
		Sysonby Farm employment and commercial development					
		Embankment House Development					
		Medical Centre, Meynell Road, Quorn					