



Meeting: **Cabinet**

Date/Time: **Tuesday, 12 January 2016 at 2.00 pm**

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

Contact: **Ms. J. Bailey (Tel. 0116 305 6225)**

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Membership

Mr. N. J. Rushton CC (Chairman)

Mr. R. Blunt CC Mr. B. L. Pain CC

Mr. Dave Houseman MBE, CC Mrs. P. Posnett CC

Mr. J. T. Orson JP CC Mr. J. B. Rhodes CC

Mr. P. C. Osborne CC Mr. E. F. White CC

Mr. I. D. Ould CC

A G E N D A SUPPLEMENT

The following supplementary report has now been published - agenda item 4 of the main agenda refers.

<u>Item</u>	<u>Report by</u>	
4. Provisional Medium Term Financial Strategy 2016/17 to 2019/20.	Director of Corporate Resources	(Pages 3 - 54)



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CABINET – 12 JANUARY 2016

PROVISIONAL MEDIUM TERM FINANCIAL STRATEGY
2016/17 - 2019/20

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. This report sets out the proposed Medium Term Financial Strategy (MTFS) for 2016/17 to 2019/20, for consultation and scrutiny.

Recommendation

2. (a) That the proposed Medium Term Financial Strategy including the 2016/17 revenue budget and capital programme be approved for consultation and referred for consideration to the Overview and Scrutiny Committees and the Scrutiny Commission;
- (b) That the Director of Corporate Resources, following consultation with the Cabinet Lead Member for Resources, be authorised to confirm the continuation of the Leicester and Leicestershire Business Rates Pool with the Leicestershire District Councils, Leicester City Council and the Leicester, Leicestershire and Rutland Combined Fire Authority, subject to agreement by all member authorities;
- (c) That the proposed County Council response to the provisional Local Government Finance Settlement, attached as Appendix A to this report, be approved; and
- (d) That a further report be submitted to the Cabinet on 5th February 2016.

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 2016/17 and to provide a basis for the planning of services over the next four years.
4. Modelling of the Business Rates Pool is being undertaken and a decision on whether to proceed will need to be taken before 14th January.

5. To ensure that the Council's views, in particular regarding the damaging effect of the settlement on the delivery of vital public services, are made known to the Government.

Timetable for Decisions (including Scrutiny)

6. The MTFS will be considered by the County Council's Overview and Scrutiny bodies between 18th and 27th January 2016. The Cabinet will then consider the comments of the Scrutiny bodies and responses from the wider consultation process at its meeting on 5th February 2016. The County Council meets on 17th February 2016 to consider the final MTFS.

Policy Framework and Previous Decisions

7. The MTFS is a rolling financial plan that is updated annually.
8. The County Council's Strategic Plan was agreed by the Cabinet in May 2014. This sets out the Authority's priorities and supports actions and targets up to 2018, aligning with the MTFS. The associated Transformation Programme was also agreed by the Cabinet in May 2014.
9. In June 2014 the Cabinet agreed the Council's Community Strategy, agreed which represented a move away from generic support for all communities towards a more nuanced approach, focusing on new ways of working with communities to utilise the Council's reduced resources to best effect.

Legal Implications

10. The County Solicitor has been consulted on this report.

Resource Implications

11. The MTFS is the key financial plan for the County Council.
12. This is the most challenging MTFS that the Council has faced, probably since it was established over 40 years ago. The funding settlement from Government is very tough and follows five years of funding reductions.
13. Delivery of the MTFS requires savings of £78m to be made by 2019/20. This MTFS sets out in detail £59m of savings and proposed reviews that will identify further savings to off-set the £19m funding gap. Strong financial control, plans and discipline will be essential in the delivery of the MTFS.

Circulation under Local Issues Alert Procedure

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

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PART B

Background

15. The Government plans to eliminate the current public sector deficit by 2019/20 with significant implications for the public sector. Local government is the sector that continues to face the largest reduction in funding. As a result the County Council faces an extremely challenging financial environment with a requirement to continue to make significant savings over the medium term.

The Spending Review and Autumn Statement

16. The Government's latest Spending Review and Autumn Statement were announced on 25th November 2015. The announcements included the following key headlines:
- Economic growth forecasts are 2.4% for 2015/16, 2.4% for 2016/17, 2.5% for 2017/18, 2.4% for 2018/19 and 2.3% for 2019/20.
 - Public sector net borrowing is not expected to be eliminated until after 2018/19 and a £10bn surplus is predicted in 2019/20.
 - Continued substantial savings in public spending.
 - Social care council tax "precept" of 2% in addition to the current 2% referendum threshold, to be used entirely for adult social care.
 - Implementation of 100% business rate retention for local government with redistribution.
 - Apprenticeship levy to be introduced from April 2017 with a rate of 0.5% of the pay bill of larger employers.

Local Government Finance Settlement

17. The Government issued a consultation on the provisional Local Government Finance Settlement (the annual determination of funding to local government) on 17th December 2015. The key headlines are:
- The overall reduction in Revenue Support Grant (RSG) across the whole of local government is 24.5%.
 - New methodology to allocate RSG based on changes in retained business rates, RSG, council tax and by service tier, e.g. County, District, Unitary.
 - Consultation on changes to the local government finance system "to rebalance support including to those authorities with social care responsibilities".
 - Confirmation of the 2% council tax referendum principle, with a maximum £5 increase for district councils and Police and Crime Commissioners with the lowest council tax levels; Blaby, Charnwood and Hinckley and Bosworth district councils qualify.
 - Confirmation of an additional 2% adult social care precept (i.e. authorities with social care responsibilities would be able to raise Council Tax by another 2% above the 2% referendum limit) and guidance on how this

additional funding must be reported to council taxpayers and the Department for Communities and Local Government (DCLG).

- Settlement for four years to enable appropriate financial planning.
- A £1.3bn national top slice for the New Homes Bonus in 2016/17 (taken from RSG) and a consultation on New Homes Bonus has been published setting out proposals to achieve savings of £800m by 2019/20.
- Other consultations announced include Business Rates Localisation and Public Health Funding.

Revenue Support Grant and Spending Power

18. The provisional Settlement and funding projections to 2019/20 are based around projections of RSG, Business Rates and Council Tax income. The focus has been placed on giving authorities in the same class (e.g. County, District, Unitary) the same overall changes to these elements of core funding. This means that those authorities where RSG is a lower proportion of their total funding will suffer larger reductions in RSG. This will lead to many authorities losing all of their RSG by 2019/20, with some having no RSG as early as 2017/18. Once RSG has been removed DCLG propose to adjust Business Rates Top-up /Tariff amounts to reduce an authority's funding to the appropriate level. Hence as noted in paragraph 25 below, the County Council is due to lose £2.1m from its top-up in 2019/20.
19. The inherent problem with this approach 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.
20. A copy of the County Council's proposed response to the provisional Finance Settlement is attached as Appendix A.
21. The overall impact of the 2016/17 Settlement on the forecast RSG is set out below. The County Council will cease to receive any RSG by 2019/20:

	2015/16 £m	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	-23%	-34%	-47%	-56%	-100%

22. The formula used to calculate RSG does not take into account all the elements of funding used in calculating the Government's measure of Council spending called 'spending power'. The elements of spending power are shown below;

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Settlement Funding Assessment (RSG and Business Rates)	115.9	93.6	77.3	68.0	59.2
Council Tax	233.4	241.0	250.0	259.7	269.9

2% Council Tax for Social Care		4.7	9.9	15.6	21.8
Improved Better Care Fund	0.0	0.0	0.0	5.6	11.4
New Homes Bonus	3.3	4.3	4.3	2.7	2.6
Core Spending Power	352.6	343.6	341.5	351.6	364.9

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

Business Rates Retention Scheme

24. The provisional Settlement issued by the Government in December 2015 includes an uplift to Business Rates "Top-Up" and "Baseline" figures of 0.8% in 2016/17. The baseline is the County Council's share (9%) of business rates generated locally and the top-up is allocated to the County Council to compensate for the small baseline allocation. The proposed MTFS includes an assumption that the Baseline and Top-Up will increase by around 3% in 2017/18, 2018/19 and 2019/20.
25. The provisional Settlement also shows a reduction to the "Top-Up" of £2.1m in 2019/20. This relates to the impact of the new method of calculating "Core Spending Power" reductions. The reduction to the County Council's overall funding in 2019/20 exceeds the remaining RSG in 2018/19 (£8.5m) and the Government consequently proposes to adjust the "Top-Up" for 2019/20.
26. The forecasts used in the draft MTFS are set out below:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Business Rates 'Top-Up'	36.7	37.5	38.6	39.8
'Top-Up' adjustment	0.0	0.0	0.0	-2.1
Business Rates 'Baseline'*	20.4	20.8	21.4	22.1
Total	57.1	58.3	60.0	59.8

*Business Rates Baseline is forecast to be £0.5m higher than the amount used by DCLG in calculating the 'spending power'.

Business Rates Pooling

27. 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.
28. In 2015/16 the County Council along with Leicester City Council, the Combined Fire Authority and all Leicestershire District Councils are part of the 'Leicester and Leicestershire Pool'. The latest estimates for the Pool show a potential surplus of £3.8m. This will be retained within Leicestershire rather than being returned to the Government as would have been the case if no Pool had existed.

The Pooling agreement between the partners allows for the surplus to be provided to the Leicester Leicestershire Economic Partnership (LLEP) for investment in the wider Leicestershire area.

29. Modelling of the Pool for 2016/17 is being undertaken and a decision on whether to continue with the Pool will be taken by the partners in January 2016. Early indications show a forecast surplus of £4.2m. A verbal update will be given at the meeting.
30. DCLG will consult on changes to the local government finance system to pave the way for the implementation of 100% business rates retention. Pooling may still be a feature of the new finance system but it is likely that the main rationale behind the retention of levy payments in the local area, will no longer apply.

Council Tax

31. The draft MTFS is based on a 3.99% per annum increase in Council Tax for the years 2016/17 to 2019/20, including implementation of the 2% social care precept in each year.
32. 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 threshold for calling a referendum in 2015/16 was a 2% rise in Council Tax.
33. The Chancellor announced as part of the Spending Review that local authorities responsible for delivering adult social care will be allowed to raise a council tax “precept” of 2% for each year of the Spending Review period to partially fund adult social care. This will be in addition to the current council tax referendum threshold and is “to be used entirely for adult social care”.
34. Provisional figures on the Council Tax base have been received from District Councils which show an overall increase of 2.1%. Final tax base figures will be confirmed later in January 2016. The proposed MTFS includes an assumption that the tax base will grow by around 1.5% in later years.
35. The District Councils are providing quarterly monitoring information on the forecast Collection Funds surplus/deficit. At the end of September 2015 a surplus of around £3m for the County Council has been reported and this is reflected in the 2016/17 budget. Formal estimates for the surplus/deficit will be received later in January 2016.

Localisation of Council Tax Support (LCTS)

36. The Government reformed the national Council Tax Benefit (CTB) scheme, abolishing Council Tax Benefit from 1 April 2013 and replaced it with a grant (incorporated within Settlement funding). The District Councils operate the scheme with a cap on the maximum of Council Tax that recipients will pay. The caps range between 12% and 15%. However, a review of the levels from 2017/18 is to be undertaken and it is likely that the caps will increase. If all areas implemented a 20% cap this could raise Council Tax for the County Council by

circa £0.5m. The County Council contributes £125,000 per annum to the District Councils for administration of the scheme.

37. A County wide local discretionary Council Tax 'hardship' fund was established in 2013/14 to reduce Council Tax bills for qualifying claimants on a case by case basis. Named the Discretionary Discount Fund (DDF), it is funded from contributions from preceptors including the County Council and District Councils. The County Council contribution is £0.25m per annum. Calls on DDF have been considerably below the contributions set aside by the partners and balances have built up and carried forward into subsequent years. A review of the need shows that the contributions can now be reduced.

38. The proposed MTFs is on the basis that the County Council will:

- Continue to contribute £125,000 per annum for administrative costs.
- Allow the carry forward of unspent DDF to 2016/17.
- Budget for reduced contributions of £100,000 per annum for DDF, subject to ongoing review of need.

2016/17- 2019/20 Budget

39. The provisional detailed four-year MTFs, excluding Dedicated Schools Grant (DSG), is set out in Appendix B and is summarised in the table below. The provisional 2016/17 budget excluding DSG is detailed in Appendix C.

Provisional Budget	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Services including inflation	331.8	333.3	337.5	343.3
Add growth	19.3	8.2	7.5	6.4
Less savings	<u>-26.7</u>	<u>-16.5</u>	<u>-14.1</u>	<u>-1.1</u>
	324.4	325.0	330.9	348.6
Central Items	21.3	19.8	22.8	22.6
Less savings	-0.1	-0.1	-0.1	-0.1
Contribution from earmarked funds	<u>-1.0</u>	<u>-1.0</u>	<u>-1.0</u>	<u>-1.0</u>
Total Expenditure	<u>344.6</u>	<u>343.7</u>	<u>352.6</u>	<u>370.1</u>
Funding				
Revenue Support Grant	-37.0	-19.5	-8.5	0.0
Business Rates	-57.1	-58.3	-60.0	-59.7
Council Tax	<u>-250.5</u>	<u>-262.2</u>	<u>-275.7</u>	<u>-291.1</u>
Total Funding	<u>-344.6</u>	<u>-340.0</u>	<u>-344.2</u>	<u>-350.8</u>
Shortfall	<u>0.0</u>	<u>-3.7</u>	<u>-8.4</u>	<u>-19.3</u>

40. The MTFS is balanced in 2016/17 and shows shortfalls of £3.7m in 2017/18 rising to £19.3m in 2019/20. As set out in paragraph 46 there is a pipeline of reviews which will aim to bridge the gap. These will need to start to deliver savings by 2017/18. In addition, Better Care Fund resources are potentially available in 2018/19 and 2019/20.

Savings and Transformation

41. Savings of £58.8m are forecast to be made over the next four years, 2016-20, with £26.8m to be made in 2016/17. This is a challenging task especially given that savings of £100m have already been delivered over the last five years. The new savings are shown in Appendix D and further detail of all savings will be set out in the reports to the Overview and Scrutiny Committees in January.
42. The main four-year savings are:
- Children and Family Services (£8.8m). This includes reducing costs for social care placements, managing demand and development of a new departmental operating model.
 - Adult Social Care (£16.7m). This includes managing demand and reducing costs of social care by reviewing personal budget allocations and contracts.
 - Highways and Transport (£13.4m). Savings will delivered through a revised approach to Highways Maintenance, reviewing contracts and service reviews. Also by making savings to non-statutory services such as rural bus subsidies.
 - Environment (£3.6m). Service delivery reviews for Recycling and Household Waste Sites plus reducing/ceasing payments for recycling credits are planned.
 - Corporate Resources (£8.4m). This includes reviews of all support services e.g. Property, Traded Services, ICT, HR and Finance
43. Efficiency savings account for £27m and can be grouped into four main types:
- a) Reductions in senior management and administration (£3m)
 - b) Better commissioning and procurement (£9m)
 - c) Service re-design (£14m)
 - d) Collaboration/shared or single services (£1m)
44. It is estimated that the proposals would lead to a reduction of up to 500 posts (full time equivalents) over the four-year period. However, it is anticipated 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.
45. There is also a budget shortfall of £3.7m in 2017/18 rising to £19.3m in 2019/20.
46. It is proposed to undertake some corporate transformational reviews to address this gap. Once business cases have been developed savings will be confirmed and included in the MTFS. The reviews are;

- Digital Council/Business Support - The digital council programme is potentially the largest and most complex of the emerging opportunities for further savings. It aims to reduce the 'cost to serve' by challenging the design of service delivery processes through increasing the use of technology and ensuring that services are fulfilled by staff using mobile / self-service process and new work styles.
- Early Help and Prevention Review – see paragraph 85.
- Social Care / Special Educational Needs (SEN) Transport – review of the provision of transport to social care and SEN clients.
- Commercial Services - a business plan will be developed to increase significantly income generation.
- Minimum Revenue Provision (MRP) – review of the period over which MRP is calculated to reduce the annual costs, paragraph 67 refers.
- Review of Council Tax Discount Schemes – working with District Councils to review the level of Council Tax caps, an increase to a 20% cap could raise Council Tax for the County Council by circa £0.5m (see paragraph 36 above).
- Lower cost social care provision – review of the cost of externally procured residential provision.
- The Government's Autumn Statement included a statement of its intention to reduce local authorities' statutory responsibilities and remove local authorities' role in running schools. A review of the County Council's role in running schools will be undertaken.
- Review of the approach to providing services for people with disabilities to develop a 'whole life' approach.

CORPORATE SAVINGS / INCOME UNDER DEVELOPMENT

	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000
Digital Council/Business Support		-500	-1,000	-2,000
Early help/prevention		-1,000	-3,000	-5,000
Social Care and SEN Transport				-1,700
Office, commercial and Industrial Units		-600	-800	-1,000
Commercial income				-2,000
Minimum Revenue Provision (MRP)			-3,500	-3,500
Review of Council Tax Discount Schemes		-500	-500	-500
Lower cost adult social care provision				TBC
Review of County Council's role in running schools				TBC
Whole life disability				TBC
	0	-2,600	-8,800	-15,700

47. The achievement of these savings will be extremely challenging and will require focus, discipline and innovation. The Transformation Programme will continue to have a key role in supporting the delivery of these savings.

Transforming the Way We Work

48. The Transformation Programme, was agreed by the Cabinet in May 2014, aligning with the County Council's Strategic Plan 2014-2018. The Programme has evolved and no longer only focuses on its original scope of delivering the 24 key transformation projects and enabling activity only. To reflect the ever-changing external environment, it is important that the Council remains able to respond and adapt quickly to changing pressures. To enable this, the Programme will be less fixed in its delivery mechanism, but will ensure that ultimately the associated benefits (both financial and non-financial) are achieved. The programme has also introduced an approach to ensure that as opportunities for improvement within the Council emerge, they can be progressed as projects, at pace, and benefits realised.
49. A refresh of the Transformation Programme and its focus is underway and will be reported to the Cabinet and Scrutiny in the Spring, alongside the County Council's strategic commissioning arrangements which will flow from agreement of the MTFs.
50. To date the programme has consisted of predominately departmental changes, however as the Authority needs to continue to find new and transformative ways of working, it is inevitable that changes will need to take place beyond Departmental boundaries and services. The Programme will therefore see an increase in cross-cutting projects and more far reaching, crossing organisational boundaries. Examples of this shift in approach include a focus on early help and prevention, SEN Transport and the digital agenda, all of which will require cross-Departmental collaboration.
51. The Council has also embarked on a programme of work to strengthen its approach to commercialism in order to maximise all opportunities for income generation. This will require new ways of thinking and working and will be a key feature of the Council's strategy moving forward.
52. Recognising the changing way by which some customers wish to access services, reduced staffing levels and advancements in technology, the Council's Digital Agenda is now at the forefront of transformation. A programme of work will focus on service efficiencies, new ways of working and IT infrastructure to underpin the achievement of the Council's digital objectives and to improve services for customers.
53. The Transformation Programme is monitored and managed corporately but is led by departments and officers who are accountable Senior Responsible Owners. These will continue to be supported by the central Transformation Unit which provides assistance and expertise with the development of transformation strategies and approaches, along with programme and project assurance and delivery. The Transformation Unit and departments will continue to work collaboratively with other support functions such as Data and Business Intelligence, Finance, ICT and HR to ensure that transformation is evidence based, appropriately planned and delivered and that the impact on staff is managed effectively.

Growth

54. Over the period of the MTFS, significant growth of £41.3m is required to meet demand and cost pressures with £19.3m required in 2016/17. The main elements of growth are:
- Adult Social Care (£23.0m). This is largely the result of increasing numbers of people with learning disabilities and an ageing population with increasing care needs.
 - Children and Family Services (£8.9m). This is largely due to pressures on the placements budget. This a major risk as the MTFS is based in the assumptions no additional growth will be required after 2016/17.
 - The cost of waste disposal (£2.4m), which is mainly attributable to Landfill Tax and projected increases in household waste due to population and economic growth.
55. Details of proposed growth to meet spending pressures are shown in Appendix E to this report.

Inflation

56. The Government's preferred measure of inflation is the Consumer Price Index (CPI). In November 2016 this was 0.1% and the Office for Budget Responsibility (OBR) predicts it will increase to around 1.0% in 2016/17 and then rise to 1.8% in 2017/18, 1.9% in 2018/19 and 2.0% in 2019/20. The OBR predicts that the Retail Prices Index (RPI) will increase from its current level of 1.1% to around 2.0% by 2016/17 and then rise to 2.9% in 2017/18 and to 3.2% in 2018/19 and 2019/20. The draft MTFS assumes 3% per annum inflation over the period 2016/17 to 2019/20. However in recent years the Council has faced higher than headline inflation with particular pressures in social care services.
57. Local Government employee pay was frozen for the three years from 2010/11 to 2012/13. This was followed by a 1% increase in 2013/14. A two-year pay settlement effectively equated to 1% in 2014/15 and a further 1.2% in 2015/16 for most employees. A national pay offer has recently been made to cover the two years 2016/17 and 2017/18. There are higher increases for the lowest pay points (to reflect the National Living Wage) and 1% per annum increases on the remaining pay points. Future levels of pay settlement will be determined by national negotiation between the Local Government Employers and the Trade Unions. A contingency of 2.0% has been included in the MTFS for pay awards from 2018/19 onwards.
58. The National Living Wage also impacts on other parts of the budget, particularly on social care costs.
59. The central inflation contingency also includes provision for an increase in the employer's pension contributions based on the results of the 2013 triennial actuarial revaluation of the Pension Fund. This increase is 1% in 2016/17 and is required to address the deficit on the Fund and to meet future liabilities. The same increase is assumed to be required in 2017/18, 2018/19 and 2019/20.

60. The Government is introducing a significant change to National Insurance from April 2016, with the removal of rebates in the former "Contracted Out" tables. This will cost the County Council around £2.5m from 2016/17 and that amount is included in the central inflation contingency.
61. Although detailed budgets for 2016/17 have been compiled on the basis of no pay or price increases, a central contingency for inflation will be held which will be allocated to services as necessary.

Central Items

62. Bank and other interest is budgeted at £1.95m in 2016/17 rising to £2.6m during the period of the MTFs. Capital financing costs are expected to decrease to £23.2m per annum in 2019/20 (from £24.75m in 2015/16) as a result of the County Council's strategy to use revenue balances to reduce debt.
63. The MTFs continues the strategy of reducing the cost of debt by including a revenue contribution of £4.5m in 2016/17 which will generate a further saving of around £0.2m per annum ongoing.
64. The budget also includes time limited provision for revenue funding of capital expenditure of £2m in 2016/17, £1m in 2017/18 and £3m in 2018/19 and 2019/20.
65. 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 practice 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 provide support to the Authority.
66. Following legislation changes in the way that MRP can be calculated and Settlement Funding changes, this has meant that it is no longer possible to demonstrate that Government support maintains the 4% per annum. It is possible to rebase the annual MRP calculation to a period more commensurate with the period upon which the assets purchased using the borrowing continues to provide service.
67. A high level review shows that based on the average remaining economic life of assets held it is possible to revise the MRP calculation to circa 2.5% per annum which would reduce the MRP charge by circa £3.5m to around £6.5m per annum. It should be noted that a revised approach would not change the overall amount of MRP payable but would extend the period of time that MRP would need to be paid. A change in the policy is being considered for future years of the MTFs to tackle future funding shortfalls.

Health and Social Care Integration

68. Health and Social Care Integration is a priority for both the County Council and the NHS. Developing effective ways to co-ordinate care and integrate services

around the person is seen nationally and locally as key to improving outcomes and ensuring high quality and sustainable services for the future.

69. April 2015 saw the launch of the Better Care Fund (BCF), a pooling of health and social care resources to support the provision of integrated services. The Better Care Fund Plan for Leicestershire was agreed by partners in 2014 and good progress is being made on delivering against its objectives.
70. Delivery of the BCF Plan is based on 4 themes:
- i) Unified prevention offer – bringing together preventative services across Leicestershire into one consistent offer, including housing expertise and carer support.
 - ii) Integrated, proactive care for those with long term conditions – to consolidate health and care teams in each locality, offer proactive case management to those people with complex conditions and/or over 75s and integrate care records, using the NHS number as the identifier.
 - iii) Integrated urgent response – the introduction of rapid response community services to avoid unnecessary hospital admissions.
 - iv) Hospital discharge and re-ablement – improving the timeliness and effectiveness of discharge pathways to reduce length of stay.
71. Detailed policy framework guidance has yet to be issued, but there has been confirmation by the Government that the Better Care Fund will continue into 2016/17. In addition to this, NHS planning guidance published in December 2015 sets out a number of developments in the health and care integration agenda including:
- Every health and care system will have to develop a Sustainability and Transformation Plan (STP) to demonstrate how the NHS Five Year Forward View will be accelerated and implemented.
 - STPs will cover the period between October 2016 and March 2021. Plans are to be submitted in June 2016 to be formally assessed the following month.
 - A medium term plan to be in place by March 2017 for better integration of health and social care. The governance and ownership of this will be agreed when the planning guidance is released.
 - Agreement of a system wide plan for reducing delayed transfers of care.
72. For 2016/17, NHS England has committed to ring fence nationally £3.5bn within its allocation to Clinical Commissioning Groups (CCGs) for the BCF. Until the guidance is received in January 2016, it has been assumed that Leicestershire's BCF allocation will remain unchanged at £38.3m for 2016/17 and budgets have been set on this basis.
73. The recent Spending Review also set out the Government's intention to increase the social care funding through the BCF by £1.5bn. This should translate into an

additional £11m of funding for the County Council. However, due to reductions in the New Homes Bonus and the additional £500m for Disabled Facilities Grants by 2019/20, the net benefit is significantly less. This funding has not been included in the proposed MTFS as a result of lack of guidance.

74. In advance of receipt of the national guidance, work has already commenced on refreshing Leicestershire's BCF plan in conjunction with health partners. Once received, the assumptions made in compiling the budget for the BCF will be revised accordingly.
75. Part of Leicestershire's BCF allocation has been allocated towards the protection of adult social care services. This is currently £16m and the same amount has been included in the budget for 2017/18 to ensure that the needs of the most vulnerable residents are met and outcomes achieved. Further funding has been earmarked for phase 1 of the Care Act and other initiatives led by Adult Social Care that directly benefit Health. A reduction in any of this funding will increase the savings above the level proposed in the draft MTFS.

Better Care Together

76. In the Leicester, Leicestershire and Rutland (LLR) local health economy, a funding gap of £400m has been identified if no action was taken on how current services are being delivered. This is in addition to the current funding pressures faced by social care services.
77. Better Care Together (BCT) is the Leicester, Leicestershire and Rutland (LLR) partnership programme that aims to address the way by which health and care services are delivered to meet the needs of the local people, while at the same time ensuring that the current financial pressures faced are effectively managed. The five year Strategic Plan sets out the most ambitious change for health and social care for LLR and was launched in June 2014.
78. The five year plan does present significant financial risks to the County Council as interventions are focussed towards prevention, avoided hospital admissions and reduced length of hospital stay. It has been recognised that this will impact on demand for social care support.
79. While recognised as a real risk to the Council, it has not been possible to quantify with any certainty the financial impact that work streams in the BCT programme will have upon social care.
80. The full implications of the strategy for social care need to be identified and addressed in order to manage the increased pressure on resources and to allow for planning to meet this additional demand. To date there are no Council funds identified to resource this so further funding transfers from the NHS to local authorities with social care responsibilities will be required. The changes introduced through the BCT coupled with the closer integration envisaged in the NHS planning guidance for the BCF will inevitably lead to an increased sharing of risks between health and social care. It is hoped that more clarity will be

received in the run up to the pre BCT business case consultation that is due to be launched in the first quarter of 2016.

Public Health

81. Since responsibility for Public Health transferred to the County Council in 2013 the remit has remained broadly similar, being based around improving the health and wellbeing of the local population. There were additions of oral health from April 2015 and 0-5 year old health visiting from October 2015.
82. In July 2015, a £200m in-year reduction in the Department of Health's non-NHS Public Health funding was announced. This has resulted in a 2015/16 cut of £1.6m (6.2%) to Leicestershire's Public Health grant.
83. The November Spending Review included:
 - Savings in the Public Health grant, which will be an average real terms saving of 3.9% each year to 2020/21. This translates into a further cash reduction of 9.6% in addition to the £200 million of savings (6.2% of grant) that were announced earlier this year. From a revised baseline of £3,461m (taking into account the continuation of the in year 6.2% cut in 2015/16) the savings will be phased in at 2.2% in 2016/17, 2.5% in 2017/18, 2.6% in each of the two following years, and no further reductions in 2020/21.
 - A commitment to retain the ring fenced Public Health grant for 2016/17 and 2017/18 in order to complete the transition of 0-5 health visiting services.
 - A clear signal that the Public Health grant will be replaced. The detail of how this will work needs to be worked through and will be subject to full consultation.
 - No change to the statutory prescribed functions for local authorities for 2016/17.
84. In 2016/17 £3.1m of Public Health savings have been identified rising to £3.6m from 2017/18. However, the expected reduction in grant over the next four years coupled with existing savings targets mean that further savings will be required. The scale of the savings will be confirmed once the grant allocation is received at the end of January 2016 and based on current information, further savings of £4m to £5m could be required.
85. To identify these savings an urgent review of early help/prevention is to be undertaken covering services funded by the Public Health grant and early help/prevention services across the Authority. This will be completed by Spring 2016 and the resultant model will focus scarce resources on services that have the biggest impact.

Other Grants and Funds

86. There are a number of other specific grants and potential transfers to local government that are still to be announced, e.g. :

- Section 31 Business Rates (Government funding for 2% cap on business rates growth and other Government measures) – an estimate of £1.6m has been included in the MTFs.
- Independent Living Fund. The grant totalled £1.6m in previous years. No details have yet been announced for 2016/17 and it is assumed the grant will be received.
- Extended Rights to Free Travel – an estimate of £0.4m has been included.
- Ministry of Justice Grants – details not yet known.
- Education Support Grant – The Spending Review indicated a national £600m reduction in future years. The MTFs assumes this grant will cease from 2017/18.
- New Homes Bonus – remains for 2016/17 and is subject to review in later years.
- Attendance Allowance – potential transfer of responsibilities to Local Authorities, details not yet known. The allowance is a non-means tested benefit to support people over 65 who need help to look after themselves. Nationally the benefit is claimed by nearly 1.8 million people and costs around £5.4bn a year, so this could have a significant impact upon the County Council.

87. As part of the Autumn Statement, the Chancellor also announced a ‘permanent’ pot hole fund. This is to be £250m nationally over the next 4 years. Based on previous allocation processes, the amount the County Council would receive would be between £3.5m and £4m (between £0.9m and £1m a year). However, no details have yet been published on how this funding will be allocated and this has not been included in the MTFs.

2016/17 Education Funding Settlement – Dedicated Schools Grant

88. The Dedicated Schools Grant (DSG) settlement retains a settlement in three separate blocks for 2016/17 and rates are unchanged. The DSG allocations for early education to 3 and 4 year olds will not be confirmed until January 2017 and the most deprived 2 year olds will not be confirmed until June 2017. Both of these have been estimated for the purpose of the 2016/17 budget. Overall the Schools Budget remains set at the level of the grant received. A summary of the grant elements is detailed below:

Funding Block	Areas Funded	Basis for Settlement
Schools Block £369.1m	This block funds delegated budgets for all Leicestershire primary and secondary schools and academies and also the three studio schools in Leicestershire. Some budgets (e.g. school copyright licences, school related premature retirement costs) are centrally retained	The Schools Block Unit of Funding (SBUF) is £4,238.28 and based upon the pupil characteristics recorded in the October 2015 schools census. The figure is an increase of £8.99 per pupil as a result of the change in funding arrangements for Studio Schools.

	<p>by the local authority with the approval of the Schools Forum.</p> <p>Funding for academies is recouped from the settlement and paid directly to the academy by the Education Funding Agency (EFA).</p> <p>The funding rate is slightly increased as a result of a technical adjustment relating to the incorporation of Studio Schools into the settlement.</p>	<p>Leicestershire is the 10th lowest funded for this element of the settlement out of 151 authorities (11th lowest 2015/16) and compares to an England average of £4,744.08.</p> <p>The funding settlement maintains the additional 'Fair Funding' allocations granted for 2015/16.</p>
High Needs Block £45.5m	Funds special schools and other specialist providers for high needs pupils and students, the pupil referral unit and support services for high needs pupils including high needs students in further education provision.	<p>The settlement remains based upon expenditure for 2012/13, adjusted for changes in the number of high needs places commissioned with an element of national growth in funding.</p> <p>As the settlement is not based upon pupil / student numbers there is no national comparator against which to measure relative funding. However converting the settlement to a per pupil basis using pupil data in the other elements of the DSG settlement places Leicestershire the 17th lowest funded at £487.47 against an England average of £677.61.</p>
<p>Early Years £18.8m (3 & 4 year olds).</p> <p>2 year old disadvantaged places £3.3m (estimated).</p>	<p>Funds the Free Entitlement to Early Education (FEEE) for 2, 3 and 4 year olds and an element of the early learning and childcare service.</p> <p>This allocation includes a provisional allocation of £0.3m for the early year's</p>	<p>The settlement is based upon January 2015 pupil numbers and will be adjusted for January 2016 and 2017 pupil data.</p> <p>The FEEE for 3 and 4 year olds funding rate of £3,363.36 is unchanged from 2015/16 and Leicestershire</p>

	pupil premium which will be adjusted in future years for actual take up.	remains the 10 th lowest funded against an England average of £4,314.28. This settlement now includes funding for FEEE for 2 year olds. Whilst the settlement for this element of DSG will not be confirmed until June 2016 the rate of funding has been confirmed at £4,607.50 per place. Leicestershire is one of 52 authorities funded at the lowest level.
£436.7m	Total DSG (Early Years estimates)	

89. The Department for Education (DfE) have announced that they intend to review the basis for DSG funding for 2017/18 onwards. This review is expected to be widespread and consider each of the DSG blocks:
- Schools Block – to move towards a national funding formula where each pupil with the same pupil characteristics will be funded at the same rate irrespective of the local authority in which they are educated.
 - High Needs Block – to move to a formulaic allocation of funding reflecting need rather than the current historic funding basis.
 - Early Years – to move to an early years single funding formula.
90. A consultation on the 2017/18 school funding proposals is expected early in 2016. It is expected that the consultation will consider both the allocation of funding to the local authority and the basis of allocation to both schools and early years providers.
91. There are a number of financial and other pressures within the schools and services that DSG funds:
- School Funding – School funding may have increased for some as a result of the 2015/16 'Fairer Funding' but otherwise has been maintained at the same level since 2010 and many schools and academies are now reporting that they are finding it difficult to set balanced budgets, especially those academies with falling rolls as a result of age range changes. These financial pressures will be compounded as it is necessary to reduce school funding to meet the pressure in the High Needs block in 2016/17.
 - High Needs – this element of the grant has seen no financial increase since 2013, however the demand for education services supporting the needs of vulnerable children and an overall increase for placements for young people with Special Educational Needs and an overspend in

2015/16 is being funded from the DSG earmarked fund. For 2016/17 some funding has been diverted from the Schools Block, including a reduction of 1% in the basic pupil rate within school delegated budgets. There is a considerable challenge in meeting the needs of these pupils within the grant funding available.

- National Living Wage – this will have a significant impact on DSG funded services, including school delegated budgets, special educational needs placements and the free entitlement to early education. The additional costs will need to be met from the grant which will affect the financial position of both maintained schools and academies and the level of services that will be able to be centrally funded.
- Funding School Growth – current planning information suggests a total of 18 new schools – 16 primary and 2 secondary providing 7,620 additional places - will be built and require funding by 2024. As DSG is funded on a single, lagged pupil count, opening new schools requires local authorities to meet two terms of costs with no corresponding increase in DSG. The funding requirement is currently assessed at circa £21m. This will be an added pressure on DSG funded services.

Budget Consultation

92. Consultation will be undertaken on this draft MTFs, the results of which will be reported to the February Cabinet meeting. Comments on the proposals can be submitted by visiting www.leicestershire.gov.uk/budget from 12th January 2016 until 25th January 2016.

Earmarked Funds and Contingency

93. The forecast balance on the County Fund (non-earmarked fund) at the end of 2015/16 is £14.8m which represents 4.3% of the net budget (excluding schools' delegated budgets). To put the level of resources into context: with the exclusion of schools, the County Council spends nearly £50m a month. The current policy is to hold a balance on the County Fund in the range of 4% - 5%.
94. The County Fund is available for unforeseen risks (e.g. extreme flooding). The proposed MTFs also includes a contingency of £8m in each year for other specific key risks which include:
- Non-achievement of savings.
 - Provision of services through the Better Care Fund - there are risks around BCF funding in later years and the shift of costs.
 - Uncertainties over the future levels of Government funding and grants, including the New Homes Bonus Grant and Better Care Fund.
 - Pressure on demand led budgets particularly in social care.
 - Level of investment required to delivered savings.
95. Other earmarked funds estimated at £75m (excluding schools' balances and partnerships) by March 2016 are held for specific purposes including insurance,

change initiatives, severance costs, invest to save schemes and renewals of vehicles and equipment.

Concluding Comments

96. This is the most challenging MTFS that the Council has faced, probably since it was established over 40 years ago. The funding settlement from Government is very tough and follows five years of funding reductions. The only relative positive is that it provides some certainty over the level of funding until 2019/20.
97. The financial position of the County Council reflects the fact that income is simply not keeping up with demands on the budget. These demands primarily relate to both a growing and ageing population and a large increase in school age children. These put large demands on social care services.
98. There is little doubt that 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 cuts, 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.
99. The delivery of this MTFS really rests on three factors:
- The first is the absolute need to deliver the savings in the MTFS. The key risks are the technical difficulty of some projects such as the digital council and the public acceptance of some savings such as the rural bus subsidy.
 - The second factor is the need to have very tight control over demand led budgets in children's and adults' social care. A repeat of recent overspends will put the Authority in a very difficult place with a need to make immediate off-setting savings.
 - Finally, the Authority needs to manage other risks that could impact its financial position. These include costs currently being borne by the NHS shifting to local authorities and loss of trading income.
100. At the same time and albeit with a reduction in expenditure, maintaining a focus on the importance of early help and prevention services and thereby reducing demand, so important to the wellbeing of the County's citizens and the sustainability of its public services, must remain a priority.
101. The County Council will be a very different organisation by 2020. It needs to be much more innovative, risk aware and commercial in its approach. The plan is deliverable and the MTFS can be balanced over the medium term.

Capital Programme 2016/17 to 2019/20

102. The draft capital programme totals £206m over the four years 2016-20 and is shown in detail in Appendix F. The programme is funded by a combination of Government grant, external grants, capital receipts and contributions from revenue balances and earmarked funds.

103. The draft programme and funding is shown below:

Draft Capital Programme 2016-20

	2016/17	2017/18	2018/19	2019/20	Total
	£000	£000	£000	£000	£000
Children and Family Services	31,957	7,628	tbc	tbc	39,585
Adults and Communities	2,854	510	tbc	tbc	3,364
Public Health	300	0	0	0	300
Transportation	40,818	30,316	23,302	16,689	111,125
Waste Management	665	950	0	0	1,615
Chief Executive's	4,675	3,470	100	100	8,345
Corporate Resources	2,730	975	750	1,100	5,555
Corporate Programme	12,325	19,400	3,280	1,300	36,305
Total	96,324	63,249	27,432	19,189	206,194

Capital Resources 2016-20

	2016/17	2017/18	2018/19	2019/20	Total
	£000	£000	£000	£000	£000
Grants	70,828	37,659	15,838	15,362	139,687
General Receipts brought forward	2,661	0	0	0	2,661
General Capital Receipts – New*	9,909	3,894	2,169	2,112	18,084
General Capital Receipts carry forward	-3,142	3,142			0
LAMS** Repaid (Capital Receipts)	0	5,400	3,000	0	8,400
Earmarked Capital Receipts	2,525	2,710	530	0	5,765
External Contributions	9,788	1,847	0	0	11,635
Revenue/Reserve contributions	3,095	8,597	7,595	3,615	22,902
Capital Contributions Unapplied	660	0	0	0	660
Unsupported Borrowing	0	0	0	0	0
Contingency for Funding Changes	0	0	-1,700	-1,900	-3,600
Total	96,324	63,249	27,432	19,189	206,194

*net of £100,000 per annum to fund revenue costs related to disposals.

**Local Authority Mortgage Scheme (LAMS) – see paragraph 111.

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

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

Funding and Affordability

Capital Grants

105. Grant funding is the largest source of financing for the capital programme and totals £140m across the 2016-20 programme. The majority of grants included in the programme are awarded by Government departments including the Department for Education (DfE), the Department for Transport (DfT), the Department of Health (DoH) and the Department for Culture, Media and Sport (DCMS). Other grants include funding from the LLEP. While Government grants are allocated by specific central government departments, they are not ring-fenced.

Children and Family Services

106. Capital funding for schools is provided by the DfE in two separate grants:

- a) Basic Need – this grant provides funding for new pupil places by expanding existing maintained schools, free schools or academies and by establishing new schools. Funding is determined through an annual submission to the DfE which identifies the need for additional school places in each local authority. The DfE have previously announced details of the grant awards for 2016/17 (£26.4m) and 2017/18 (£4.5m). No details have been announced yet for future years and have therefore not been included in the programme at this stage.
- b) Condition – this grant provides the funding to maintain the maintained school asset base. Details of the grant for 2016/17 and future years have not yet been announced. For 2016/17 an estimate of £3.4m has been included in the capital programme. It is expected that this grant will continue but will reduce as further schools convert to academy status.
- c) Devolved Formula Capital (DFC) - funding provided to schools. The DfE have not yet announced details of grant allocations, however an estimate can be made based on the number of maintained schools which totals £0.75m for 2016/17. No estimates have been included for future years, but the grant is expected to continue.

Environment and Transport

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

- a) Improvement Schemes. Grant funding of £10.9m has been included across the four year programme. In December 2014 the DfT announced grant funding of £2.7m for each year between 2015/16 and 2017/18 together with indicative amounts of the same value per annum for 2018/19 to 2020/21.
- b) Maintenance funding. Grant funding of £48.6m has been included in the four year programme. As with the improvement schemes grant, the

amounts were previously announced by the DfT; £13.0m for 2016/17 and £12.6m for 2017/18 with indicative allocations of £11.4m per annum for the three years 2018/19 to 2020/21.

108. Other capital grants included are:

- DfT Challenge Fund £4.1m – grant funding for local authorities to bid for major maintenance schemes. The fund covers the period 2015/16 to 2020/21 and is split into two tranches, 2015/16 to 2017/18, and 2018/19 to 2020/21. The Council was successful in its bid for funding from the first tranche with a total of £5.1m awarded for LED street lighting replacement (£1m is profiled in 2015/16 and £4.1m profiled in 2016/17).
- DfT Incentive Fund £4.7m – the DfT have set aside funding to help reward local authorities who can demonstrate they are delivering value for money in carrying out cost effective improvements. The DfT have invited each local authority to complete a self-assessment questionnaire for 2016/17 to demonstrate that efficiency measures are being pursued. The amount included is estimated to be that applicable for a score at level 2 (out of 3).
- LLEP/ Strategic Economic Plan (SEP) £20.1m – this grant is the subsequent years funding from the announcement made by the LLEP last year relating to the five major transport schemes. There is an element of risk to this funding as the funding agreements have yet to be finalised and signed.

Capital Receipts

109. The generation of capital receipts is a key priority for the County Council. The draft capital programme is funded from an estimate of £18.5m in new capital receipts by 2019/20. This includes an estimated £9.1m from potential land sales that are subject to planning permission. In these cases the value of the sites 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 the estimated gross capital receipts value has been used in the estimated capital programme funding – gross value £36m.
110. A total of £5.8m in earmarked capital receipts has been included. Capital receipts are earmarked where they relate directly to a replacement asset.
111. The draft programme also includes £8.4m loan repayment from Lloyds Bank for the Local Authority Mortgage Scheme (LAMS). This funding will be substituted in 2017/18 (£5.4m) and 2018/19 (£3m) with an equivalent amount from revenue / earmarked revenue funds in order to replenish the Transformation / Severance earmarked fund that temporarily funded the original investment.

Revenue Funding

112. The capital strategy recognises the need to avoid prudential (unsupported by Government) borrowing in order not to increase levels of debt and associated financing costs. A gross total of £31.3m has been included in the draft programme funded from revenue earmarked funds and one off revenue contributions. This is offset by an £8.4m adjustment for the substitution required for LAMS mentioned above. The net total is therefore £22.9m across the programme. The largest contributions are £10.9m from the 2015/16 MTFS, £9m planned MTFS contributions 2016-20 and £1.9m from the Broadband earmarked fund.

External Contributions

113. A total of £11.6m is included in the funding of the capital programme 2016-20, mainly from Section 106 housing developer contributions. This includes a £6.5m contribution from land owners towards the new M1 bridge at Lubbesthorpe and £3.5m towards a new primary school in Birstall.

Prudential Borrowing

114. The Council is also able to finance new capital expenditure by undertaking unsupported borrowing. The financing costs of undertaking borrowing, often from the Public Works Loans Board, are charged to the revenue account and are funded by the Council. By using other sources of funding, capital receipts and one-off revenue contributions, no prudential borrowing is included in the funding of the 2016-20 programme. The County Council's current level of debt is £276m and costs circa £24m in capital financing costs each year. If the Council was to undertake prudential borrowing to increase resources then this would result in increased revenue costs of circa 7% per annum of the amount borrowed.

Capital Contingency

115. A contingency totalling £3.6m has been included in 2018/19 and 2019/20 for changes in capital funding and to provide funding for future invest to save capital schemes.

Departmental Programmes

Children and Family Services

116. The draft programme totals £39.6m for 2016-20. The priorities for the programme are informed by the School Place Planning Strategy and include the provision of additional accommodation where additional pupil places are needed (£19.3m) including the completion of a new primary school for the Leicester Forest East / Braunstone area and a further school in Birstall, a new area special school in Wigston (£10m), and school condition improvements (£3.4m).

117. The programme also includes £3.9m to invest in opportunities to address structural changes to the pattern of education where this can be linked to basic

need, and funding of £1m for the Wigston Campus Masterplan to support 10+ age group removal.

Adults and Communities

118. The draft programme totals £3.4m. The main areas of the programme are the Disabled Facilities Grant programme (£1.7m), which is passported to District Councils to fund major housing adaptations in the County for vulnerable people to stay safely in their own home, and the continuation of the extracare programme in Loughborough (£0.9m) to enable more older people to live independently.

Public Health

119. The programme totals £0.3m for a programme to help householders improve the energy efficiency of their homes. The programme is funded by a grant from the charity National Energy Action.

Environment and Transport

120. The transportation programme totals £111.1m over the four years 2016-20. The main areas are:

- Transport Asset Management Programme, £50m. Ensuring transport assets such as roads and footways are well managed.
- Strategic Economic Plan £25.8m. Completion of five major transport improvement schemes, mainly funded by the LLEP. These are:
 - Leicester North West Major Scheme
 - Hinckley Area Approach – Zone 3
 - Hinckley Area Approach – Zone 4
 - A42 Junction 13
 - M1 Junction 21 (Lubbesthorpe Strategic Employment Site Access)
- Street Lighting LED replacement programme £17m. Completion of the £19m programme to replace all County Council maintained street lights with LED lighting and a central management system and de-illumination of traffic signs on bollards that is planned to start in 2015/16.
- Advanced Design work - £7.6m. Programme of advanced design works to support future major transport schemes and bids to the DfT and LLEP for future funding.
- M1 New Bridge - £6.5m. Completion of the new bridge that started in 2015/16.
- Zouch Bridge - £1.1m. Completion of the replacement bridge planned to start in 2015/16.

Environment and Transport - Waste Management

121. The programme totals £1.6m and includes improvements to the Coalville Transfer station and recycling and household waste sites.

Chief Executive's

122. The programme totals £8.3m across the four years to 2020. The main area is the second phase of the rural broadband scheme (£7.4m) to extend the programme to develop superfast broadband to homes and businesses in the County with poor service.

Corporate Resources

123. The programme totals £5.6m for 2016-20. The main priorities for investment are:

- The replacement of the wide area network in 2018/19 and 2019/20, £0.5m.
- Investment in the replacement and upgrade of the Corporate ICT infrastructure £2m.
- Virtual Desktop Infrastructure expansion to non County Hall sites, £1.1m
- Industrial Properties £0.9m – general improvements.

Corporate Programme

124. The corporate programme totals £36.3m for 2016-20.

125. The main area is the investment in the Corporate Asset Investment Fund to invest in property and land assets to improve economic development, replace assets sold to generate capital receipts, and generate ongoing revenue returns. This programme totals £30.1m and is part funded from capital grant bids to the LLEP Growth Deal programmes 2 and 3 (£6.9m). The scheme costs will be subject to the outcome of the grant bids. The programme is also funded from estimated earmarked capital receipts that will be generated once the sites have been developed, these are estimated to total £4.4m.

126. The other main area is the Energy Strategy programme, £1.8m, to reduce energy consumption across the property estate to deliver ongoing efficiency savings and reduce carbon emissions.

Equality and Human Rights Implications

127. 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.

128. Many aspects of the County Council's MTFs may impact upon 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. Assessments are being undertaken in light of the potential impact of proposals and the timing of the proposed changes. Those assessments will be revised as the proposals are developed.

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

Crime and Disorder Implications

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

Environmental Implications

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

Partnership Working and Associated Issues

132. 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

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

Background Papers

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

Report to the County Council on 18 February 2015: "Medium Term Financial Strategy 2014/15 to 2017/18" - <http://ow.ly/WSZmf>

Report to the Cabinet on 11 September 2015: "Review of the Medium Term Financial Strategy and Investment Proposals" - <http://ow.ly/WSZpZ>

List of Appendices

- A: Local Government Finance Settlement – Proposed County Council Response
- B: Four Year Revenue Budget 2016/17 to 2019/20
- C: 2016/17 Revenue Budget
- D: Savings
- E: Growth
- F: Capital Programme 2016/17 to 2019/20

Draft Settlement Response

This is a settlement for Leicestershire County Council which cannot be justified on any reasonable grounds and, as proposed, will have damaging consequences for the delivery of vital public services.

Over recent decades the system of local government finance has been subject to a series of political fixes, to such an extent that it is difficult to see any sense in the distribution of government funding. This is not just an issue for Leicestershire, but an issue for the whole of Local Government.

The latest redistribution of resources this settlement introduces shifts significant funding away from Leicestershire County Council and other counties to Cities and Inner London Authorities. The formula used to make that switch operates on the basis that if you have low government funding in the first place you will have a larger proportionate reduction than if you had high funding. This is a perverse and highly damaging method of distributing resources. It takes no account whatsoever of your actual spending power or local needs, which for counties where the budget is dominated by social care are growing significantly.

The problems with the system of Local Government finance go much deeper than this latest attempt at a fix. The table below picks out a few Authorities and looks at their overall spending power in 2019/20 and the level of funding Leicestershire would receive if it had the equivalent spending power. To compare unitaries and counties adjustments have been made for fire and districts have been included.

Spending Power Comparison

Authority	Spending Power in 2019/20	Extra Funding Leicestershire would receive if it had the same spending power
Islington	£2,146	£163m
Surrey	£1,944	£105m
Oxfordshire	£1,768	£55m
Westminster	£1,675	£28m
Northamptonshire	£1,623	£13m
Leicestershire	£1,577	

The table and Appendix raises a number of concerns and many questions such as;

- Are the service needs in Islington, Surrey and Oxfordshire really so much greater than Leicestershire ?
- Why is Leeds City Council £138m lower funded than the average of Islington, Rutland, Surrey and Kingston upon Thames?
- Why is Warrington £41m lower funded than Gateshead?

The principle of a four year settlement is welcome but not if its certainty, which is the Government's selling point:-

- increases the savings required and compels further service reductions in the short term, and
- does not take account of spending pressures at the end of the four years when a projected 3.5% increase in spending power for Leicestershire will be totally inadequate. Such an increase would simply not meet the needs of the over 65's, an increasing school age population and the cost of the Living Wage. The cash increase in spending power for Leicestershire County Council by 2019/20 equates to £12m. This compares to the increase in Adult Social Care costs over the same period of £50m.

It is extremely difficult to understand how a four year settlement can be issued when most of the elements of spending power will be subject to separate Government consultations. The figures published by DCLG pre-empt the outcome of those consultations.

Failure to address these concerns will no doubt result in service and financial failure for some authorities. DCLG is aware that some authorities are already teetering on the edge. Alternatively, if like Leicestershire you manage within a much lower level of resources residents will simply receive a much reduced level of local government service than elsewhere in the country. In effect a government imposed post code lottery. This hardly seems fair and will be as a direct result of a failure by DCLG, the Architects of this system, to come up with a sensible method of allocating resources.

DCLG also need to stop the pretence that the County Council has over £100m in reserves available to bridge any gaps.

Solution

The system of local government finance simply does not work and frankly no-one at the centre, locally, in business or in the academic world, believes it does – and it is becoming increasingly unfair. The system must be fundamentally reviewed including retained Business Rates, RSG, New Homes Bonus and Council Tax.

Since that is not going to happen anytime soon, the only practical way forward in the short term– which is not a solution - is for DCLG to offer some transitional relief for those authorities with low spending power.

The Chancellor's devolution agenda to support and grow the economies of cities is supported but the outcome at present appears to be at the expense of the shires. Addressing devolution to the shires should also be part of the way forward.

Question 1: Do you agree with the methodology for allocating central funding in 2016-17, as set out in paragraphs 2.6 to 2.8?

As set out in more detail above, the County Council strongly disagrees with the methodology for allocating central funding in 2016/17 and later years.

Question 2: Do you agree with the proposed methodology for calculation of the council tax requirement for 2016-17, as set out in paragraphs 2.10 and 2.11?

The County Council agrees with this proposal, as the council tax requirement for next year will not be established by the time of the final settlement.

Question 3: Do you agree with the proposed methodology in paragraph 2.12 for splitting the council tax requirement between sets of services?

Yes.

Question 4: Do you wish to propose any transitional measures to be used?

The proposed allocation is deeply flawed and should not be implemented. If it is, there ought to be an element of damping to allow the lowest funded authorities, including Leicestershire County Council, more time to adapt to their lower than anticipated funding position.

Question 5: Do you agree with the Government's proposal to fund the New Homes Bonus in 2016-17 with £1.275 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.15?

The County Council has consistently argued against many of the features included in the New Homes Bonus grant, including the 80:20 split in favour of District Councils in two tier areas – particularly as county councils suffer a disproportionate effect of the top-slicing of Revenue Support Grant. As a matter of principle the County Council cannot support this proposal.

Question 6: Do you agree with the Government's proposal to hold back £50 million to fund the business rates safety net in 2016-17, on the basis of the methodology described in paragraph 2.19?

Yes.

Question 7: Do you agree with the Government's proposed approach in paragraph 2.24 to paying £20 million additional funding to the most rural areas in 2016-17, distributed to the upper quartile of local authorities based on the super-sparsity indicator?

The County Council has argued for many years that the various settlement formulae have consistently failed to recognise the scale of additional costs of delivering services in rural areas, especially when compared to the favourable bias applied to urban deprivation. This

proposal goes a very small way to redressing that imbalance. The County Council will not receive any of the proposed funding.

Question 8: Do you agree with the Government's proposal that local welfare provision funding of £129.6 million and other funding elements should be identified within core spending power in 2016-17, as described in paragraph 2.28?

This seems disingenuous in the context of Revenue Support Grant disappearing for many authorities, including the County Council, over the next few years – a paper exercise and little more than a farce.

Question 9: Do you agree with the Government's proposal to include all of the grant funding for the Care Act 2014 (apart from that funded through the Better Care Fund) in the settlement, using the methodology set out in paragraph 3.2?

In the context of the removal of RSG for the County Council, no. It would be better for the grant to continue as a separate specific grant.

Question 10: Do you agree with the Government's proposal to include all 2015-16 Council Tax Freeze Grant in the 2016-17 settlement, using the methodology set out in paragraph 3.3?

This is not directly relevant to the County Council, as we did not qualify for freeze grant in 2015/16. It is however very disappointing to see that the previous elements of RSG relating to early freeze grants will effectively disappear and will be deemed to be funded by the local council tax and business rate payers of Leicestershire (and many other areas). We were led to believe that there would not be a "cliff edge" over which council tax freeze grant would vanish, but that appears to be the effect of the new, flawed allocation methodology.

Question 11: Do you agree with the Government's proposal to include all 2015-16 Efficiency Support Grant funding in the settlement and with the methodology set out in paragraph 3.5?

Yes.

Question 12: Do you agree with the Government's proposal to include funding for lead local flood authorities in the 2016-17 settlement, as described in paragraphs 3.6 and 3.7?

In the context of the removal of RSG for the County Council, no. It would be better for the grant to continue as a separate specific grant.

Question 13: Do you agree with the Government's proposal to pay a separate section 31 grant to lead local flood authorities to ensure funding for these activities increases in real terms in each year of the Parliament?

Yes.

Question 14: Do you have any views on whether the grant for lead local flood authorities described in paragraph 3.8 should be ring-fenced for the Spending Review period?

The grant should not to be ring-fenced.

Question 15: Do you agree with the Government's proposal to adjust councils' tariffs / top ups where required to ensure that councils delivering the same set of services receive the same percentage change in settlement core funding for those sets of services?

The County Council strongly opposes this. It is damaging enough that RSG disappears but to then lose elements of business rates income as a further reduction in funding makes the situation even worse.

Question 16: Do you have an alternative suggestion for how to secure the required overall level of spending reductions to settlement core funding over the Parliament?

There should be protection for the lowest funded authorities, including the County Council, based on levels of Spending Power per dwelling or per head of population. The system should take account of actual Spending Power and stop the irrational preoccupation with equalising the change in Spending Power. The overall spending reduction would be achieved but with a different distribution over local authorities.

Question 17: Do you have any comments on the impact of the 2016-17 settlement on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation?

The planned reductions to local authority funding will undoubtedly affect all of the residents of each local authority, as services will have to be curtailed or cease altogether to balance budgets. The Government has failed to take into account the significant pressures from the rising general population and particularly the rapidly rising older population. This will compound the effects of cuts to funding. The Government has also imposed significant costs on local authorities with the introduction of the National Living Wage without any additional funding. Persons who share protected characteristics will see an impact on the quality of services they receive over the next few years.

The flawed proposed methodology will also increase the problems faced by relatively low-funded authorities such as the County Council, with further implications for the services provided to vulnerable people than would be the case if a more equitable settlement methodology was to be applied.

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2016/17 - 2019/20 REVENUE BUDGET *

	TOTAL 2015/16 £000	Inflation/ Contingencies /Transfers £000	Growth £000	Savings £000	TOTAL 2016/17 £000	Inflation/ Contingencies /Transfers £000	Growth £000	Savings £000	TOTAL 2017/18 £000	Inflation/ Contingencies /Transfers £000	Growth £000	Savings £000	TOTAL 2018/19 £000	Inflation/ Contingencies /Transfers £000	Growth £000	Savings £000	TOTAL 2019/20 £000
Children & Family Services	55,235	1,629	8,905	-4,870	60,899	0	0	-1,880	59,019	0	0	-2,000	57,019	0	0	0	57,019
Adults & Communities	133,253	2,708	5,570	-7,660	133,871	-1,344	6,400	-6,310	132,617	0	5,500	-3,665	134,452	0	5,500	-950	139,002
Public Health **	-1,750	50	2,200	-3,050	-2,550	0	1,000	-530	-2,080	0	1,000	0	-1,080	0	0	0	-1,080
Environment & Transport	69,527	1,389	1,310	-6,015	66,211	99	965	-5,470	61,805	99	835	-5,450	57,289	184	885	-110	58,248
Chief Executives	9,873	453	400	-1,050	9,676	0	-120	-325	9,231	0	100	-645	8,686	0	0	0	8,686
Corporate Resources	33,924	871	865	-4,025	31,635	0	-10	-2,005	29,620	0	30	-2,385	27,265	0	0	0	27,265
	300,063	7,100	19,250	-26,670	299,743	-1,245	8,235	-16,520	290,213	99	7,465	-14,145	283,632	184	6,385	-1,060	289,141
DSG (Central Dept recharges)	-923				-923				-923				-923				-923
Carbon Reduction Commitment	455	-100			355				355				355				355
Contingency for efficiency savings	8,000	0			8,000				8,000				8,000				8,000
Contingency for inflation/ Living Wage	8,350	8,850			17,200	10,200			27,400	12,450			39,850	12,150			52,000
	315,945	15,850	19,250	-26,670	324,375	8,955	8,235	-16,520	325,045	12,549	7,465	-14,145	330,914	12,334	6,385	-1,060	348,573
Central Items:																	
Bank & other interest	-1,000				-1,950				-2,350				-2,600				-2,600
Financing of capital	24,750				24,100				23,600				23,400				23,200
Repayment of Debt / MRP	2,940				4,475				0				0				0
Revenue funding of capital	10,900				655				1,000				3,000				3,000
Financial Arrangements	50			-100	-50			-100	-150			-100	-250			-100	-350
Members Exps & Support etc	1,375				1,369				1,373				1,381				1,381
Elections	200				200				200				200				200
Flood Defence levies	285				285				295				298				298
Pensions (pre LGR /LGR)	2,000				1,900				1,850				1,800				1,750
Local Services Support Grant	-485				-385				-385				-385				-385
Contribs. to Discretionary Discounts & Admin.	375				225				225				225				225
New Homes Bonus Grant	-3,165				-4,170				-4,330				-2,720				-2,610
New Homes Bonus - top slice returned	-185				-130				0				0				0
Education Services Grant	-4,000				-3,650				0				0				0
S31 grants - Business Rates	-820				-1,620				-1,620				-1,620				-1,620
Total Spending	349,165				345,634				344,753				353,643				371,062
Contribution from Earmarked Funds	-1,000				-1,000				-1,000				-1,000				-1,000
Budget Requirement	348,165				344,634				343,753				352,643				370,062
Funding																	
Revenue Support Grant	-56,233				-36,992				-19,548				-8,549				0
Business Rates - Top Up	-36,439				-36,743				-37,466				-38,571				-37,659
Business Rates Baseline	-19,721				-20,384				-20,784				-21,393				-22,070
Collection Fund net deficit / (surplus)	-2,367				-3,000				-1,000				0				0
Council Tax	-233,405				-247,515				-261,250				-275,750				-291,050
	-348,165				-344,634				-340,048				-344,263				-350,779
VARIANCE	0				0				3,705				8,380				19,283
<i>Band D Council Tax</i>	<i>£1,084.15</i>				<i>£1,127.40</i>				<i>£1,172.38</i>				<i>£1,219.16</i>				<i>£1,267.81</i>
	1.99%				3.99%				3.99%				3.99%				3.99%

* provisional for 2017/18 and later years

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

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REVENUE BUDGET 2016/17

	Base including inflation £000	Growth £000	Savings £000	TOTAL £000
Spending				
Services :				
Schools *				0
Children & Family Services	56,864	8,905	-4,870	60,899
Adults & Communities	135,961	5,570	-7,660	133,871
Public Health **	-1,700	2,200	-3,050	-2,550
Environment & Transport	70,916	1,310	-6,015	66,211
Chief Executives	10,326	400	-1,050	9,676
Corporate Resources	34,795	865	-4,025	31,635
	<u>307,163</u>	<u>19,250</u>	<u>-26,670</u>	<u>299,743</u>
Dedicated Schools Grant (Central Dept recharges)	-923			-923
Carbon Reduction Commitment	355			355
Contingency for efficiency savings	8,000			8,000
Contingency for inflation/ Living Wage	17,200			17,200
	<u>331,795</u>	<u>19,250</u>	<u>-26,670</u>	<u>324,375</u>
Central Items:				
Bank & other interest				-1,950
Financing of capital				24,100
Repayment of Debt / MRP				4,475
Revenue funding of capital				655
Financial Arrangements			-100	-50
Members Exps & Support etc				1,369
Elections				200
Flood Defence levies				290
Pensions (pre LGR /LGR)				1,900
Local Services Support Grant				-385
Contribution to Discretionary Discounts & Administration Costs				225
New Homes Bonus Grant				-4,170
New Homes Bonus - element of top slice returned				-130
Education Services Grant				-3,650
S31 grants - Business Rates				-1,620
Total Central Items				<u>21,259</u>
Contribution from Earmarked Funds				-1,000
Budget Requirement				<u>344,634</u>
Funding (provisional)				
Revenue Support Grant				-36,992
Business Rates - Top Up				-36,743
Business Rates Baseline / retained				-20,384
Collection Fund net deficit / (surplus)				-3,000
Council Tax				-247,515
				<u>-344,634</u>
Council Tax				
Council Tax Base (provisional)				219,544.92
Band D Council Tax				£1,127.40
Increase on 2015/16 (£1,084.15)				3.99%

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

** Public Health funded by Grant

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Reference	Eff/SR/ Income	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
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SAVINGS**References used in the following tables**

* items unchanged from previous Medium Term Financial Strategy

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

Eff - Efficiency saving

SR - Service reduction

Inc - Income

<u>CHILDREN & FAMILY SERVICES</u>							
<u>Transformation</u>							
**	CF1	SR	Remodelling Early Help	-1,290	-1,400	-1,400	-1,400
	CF2	Eff	Develop lower cost social care provision			-2,000	-2,000
	CF3	Eff	New Departmental Operating Model		-500	-500	-500
	CF4	Eff	Reduced cost / demand Social Care Placements	-1,100	-1,900	-1,900	-1,900
			Total	-2,390	-3,800	-5,800	-5,800
<u>Departmental</u>							
*	CF5	SR	Reduction in Educational Psychology Service	-150	-150	-150	-150
	CF6	Eff	Increase in in-house Foster Carers	-580	-920	-920	-920
	CF7	SR	Early Learning & Childcare	-500	-500	-500	-500
	CF8	SR	Reduction in Senior Management	-850	-850	-850	-850
	CF9	Eff	Childrens Home closure	-400	-400	-400	-400
	CF10	Eff	Establishment of Regional Adoption Agency		-130	-130	-130
			Total	-2,480	-2,950	-2,950	-2,950
			TOTAL	-4,870	-6,750	-8,750	-8,750

Reference	Eff/SR/ Income		2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	
<u>SAVINGS</u>							
<u>ADULTS & COMMUNITIES</u>							
<u>Adult Social Care Transformation</u>							
**	AC1	Eff	Effective Management of Direct Payments	-350	-450	-500	-500
**	AC2	Eff	Outcome Based Commissioning - Helped to Live At Home Project	0	-1,000	-1,000	-1,000
Total				-350	-1,450	-1,500	-1,500
<u>Departmental</u>							
**	AC3	Eff	Review of In-House Services	-610	-790	-790	-790
**	AC4	SR	External Contract Review	-2,915	-3,275	-3,275	-3,275
**	AC5	Inc	Increased income from fairer charging and removal of subsidy / aligning increases	-200	-405	-750	-900
**	AC6	SR	Equipment and adaptations - reduced provision	-150	-300	-300	-300
**	AC7	Eff	Reduced residential, nursing and homecare as a result of developing Extracare alternative	-30	-95	-95	-95
**	AC8	Eff	Shared Lives alternative to residential and day care	-100	-200	-305	-305
**	AC9	Eff	Delayed Savings in Extracare (AC7) and Shared Lives (AC8)	520	520	520	520
**	AC10	Eff/SR	Review of Supported Living costs	-250	-700	-865	-1,165
**	AC11	Eff	Application of Assistive Technology	-500	-500	-750	-750
**	AC12	Eff/SR	Development & implementation of the Adult Social Care workforce strategy	-250	-1,150	-1,150	-1,150
**	AC13	Eff/SR	Reablement review	-250	-500	-1,000	-1,000
**	AC14	SR	Reduced cost and demand for social care	-2,000	-2,000	-2,000	-2,000
Total				-6,735	-9,395	-10,760	-11,210
<u>Emerging</u>							
**	AC15	Eff	Review of long term residential placement costs	0	-250	-500	-500
**	AC16	Eff/SR	Review of Community Life Choices costs	0	-500	-750	-750
**	AC17	Eff	Improvements to the Mental Health pathway	0	-250	-500	-500
**	AC18	SR	Review of personal budget allocations	0	-500	-1,000	-1,000
**	AC19	SR	Reduced financial growth following demand management improvements	0	-250	-750	-1,250
Total				0	-1,750	-3,500	-4,000
Total ASC				-7,085	-12,595	-15,760	-16,710
<u>Communities and Wellbeing Transformation</u>							
*	AC20	SR	Reduction in funding for Community libraries and review of other library services	-145	-145	-145	-145
**	AC21	SR	Implementation of the revised C&W service	-430	-1,230	-1,730	-1,730
Total C&W				-575	-1,375	-1,875	-1,875
TOTAL A&C				-7,660	-13,970	-17,635	-18,585
<u>PUBLIC HEALTH</u>							
<u>Departmental</u>							
	PH1	SR	Review of contracts relating to sexual health services	-145	-340	-340	-340
	PH2	SR	Reduction in Health Checks	-150	-150	-150	-150
	PH3	SR	Review of obesity services and contracts	-75	-75	-75	-75
	PH4	SR	Review of physical activity services and contracts	-465	-465	-465	-465
	PH5	SR	Substance Misuse contract savings	-625	-625	-625	-625
	PH6	SR	Review of smoking & tobacco services and contracts	-720	-1,030	-1,030	-1,030
	PH7	Eff	Departmental savings and funding reviews	-495	-495	-495	-495
	PH8	SR	Other Public Health services	-375	-400	-400	-400
TOTAL				-3,050	-3,580	-3,580	-3,580

Reference	Eff/SR/ Income		2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000		
<u>SAVINGS</u>								
<u>ENVIRONMENT & TRANSPORT</u>								
<u>HIGHWAYS & TRANSPORT</u>								
<u>Transformation</u>								
**	ET1	SR	Street Lighting - expected savings from conversion to LEDs including consideration of any further switching off, dimming and part night lighting		-750	-1,250	-1,750	-1,750
**	ET2	Eff/SR	Revised approach to Highways Maintenance (Looking after Leicestershire) including improvement schemes		-1,385	-4,105	-4,405	-4,405
			Total		-2,135	-5,355	-6,155	-6,155
<u>Departmental</u>								
**	ET3	Eff	Managing demand within transport services		-350	-350	-350	-350
*	ET4	Eff	Further contract renewal savings		-100	-200	-300	-300
**	ET5	Eff/SR	Revised TOM for E&T to align directorate with emerging commissioning and procurement strategy		-1,360	-2,010	-2,010	-2,010
	ET6	Eff	Revised approach to flooding schemes (funded from capital programme)		-250	-250	-250	-250
	ET7	Eff	Invest to save - fleet renewal		-90	-180	-180	-180
**	ET8	SR	Review of Road Safety strategy and provision		-410	-630	-800	-800
**	ET9	Eff/SR	Service review of Highway Authority planning processes and charging regimes		-250	-500	-500	-500
	ET10	Eff/SR	SEN / Social Care Transport		-100	-300	-300	-300
			Total		-2,910	-4,420	-4,690	-4,690
<u>Emerging</u>								
*	ET11	SR	Public bus services - revised policy on subsidised transport		0	0	-2,000	-2,000
*	ET12	SR/Inc	County wide parking strategy including residents' parking permits and consideration of charging for on-street parking		0	0	-600	-600
			Total		0	0	-2,600	-2,600
			Total		-5,045	-9,775	-13,445	-13,445
<u>ENVIRONMENT</u>								
<u>Transformation</u>								
**	ET13	Eff	Revised payment mechanism on Recycling Credits		-235	-320	-320	-320
**	ET14	SR	Review of Recycling & Household Waste Sites (RHWS) provision		-520	-655	-670	-670
	ET15	SR	Revised RHWS delivery model				-400	-400
			Total		-755	-975	-1,390	-1,390
<u>Departmental</u>								
**	ET16	Eff	Efficiencies from contract procurement/renewal		-75	-160	-315	-395
**	ET17	Eff	Landfill Diversion			-150	-150	-150
**	ET18	Inc	Trade Waste Income		-65	-90	-120	-150
**	ET19	Eff	Waste Initiatives & Waste Strategy Implementation		-20	-100	-100	-100
**	ET20	Eff	Waste & Environment Management		-55	-85	-85	-85
			Total		-215	-585	-770	-880
<u>Emerging</u>								
*	ET21	Eff	Further contract renewal savings			-150	-300	-300
**	ET22	Eff	Revised payment mechanism for recycling credits for dry materials (net saving – gross saving £3.4m)				-1,030	-1,030
			Total		0	-150	-1,330	-1,330
			Total		-970	-1,710	-3,490	-3,600
			TOTAL E&T		-6,015	-11,485	-16,935	-17,045

Reference	Eff/SR/ Income		2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
<u>SAVINGS</u>						
<u>CHIEF EXECUTIVE</u>						
<u>Transformation</u>						
* CE1	SR	Funding and support to agencies	-150	-150	-170	-170
Total			-150	-150	-170	-170
<u>Departmental</u>						
** CE2	Eff	Review of Management Structure/Vacancy Control	-50	-70	-70	-70
** CE3	Eff	Democratic Services, Administration and Civic support review	-50	-140	-170	-170
** CE4	Eff	Legal Services review	-35	-35	-115	-115
** CE5	Inc	Registration Service - Review and increased income	-110	-140	-140	-140
** CE6	Eff	Review of Strategy, Partnerships & Communities Service	-275	-275	-275	-275
** CE7	SR	Reduced staffing for a range of partnership and community support activity	-275	-275	-275	-275
* CE8	SR	Review Planning, Historic and Natural Environmental Services	-35	-60	-100	-100
** CE9	SR	Registration opening hours and "tell us once" service		-60	-60	-60
** CE10	Eff	Trading Standards reduced management and operational costs	-65	-65	-65	-65
** CE11	SR	Contingency/Savings	45	40	-60	-60
CE12	SR	Cessation of Community Centre funding	-40	-45	-60	-60
Total			-890	-1,125	-1,390	-1,390
<u>Emerging</u>						
** CE13	Eff	Trading Standards - Service Review and Joint Working	-10	-50	-90	-90
* CE14	SR	Reduction in the value of Participatory /Community Grants awarded			-70	-70
** CE15	SR	Stop providing funding for economic development activity to external agencies		-50	-300	-300
Total			-10	-100	-460	-460
TOTAL			-1,050	-1,375	-2,020	-2,020
<u>CORPORATE RESOURCES</u>						
<u>Transformation</u>						
* CR1	Eff	Senior management & Business Support	-140	-140	-310	-310
** CR2	Eff	Review of Strategic Finance & Property	-370	-540	-1,000	-1,000
** CR3	Eff	People, Procurement and Transformation Reviews	-610	-1,045	-1,345	-1,345
** CR4	Eff	Communications Unit Review	-140	-140	-140	-140
** CR5	Eff	Strategic Information Technology Review	-290	-630	-670	-670
** CR6	Eff/Inc	Operational ICT Review (reduced contracts, staffing and increased income)	-705	-900	-1,665	-1,665
** CR7	Eff	Operational Property Review (reduced maintenance, contracts and staffing)	-570	-815	-940	-945
** CR8	Inc	Operational Property - Increased income from property rentals and trading property services	-245	-405	-680	-685
** CR9	Eff/Inc	Improvements to properties and assets (Energy & Accommodation projects)	-505	-675	-785	-785
Total			-3,575	-5,290	-7,535	-7,545
<u>Departmental</u>						
** CR10	Eff	Efficiency savings from sharing services with Nottingham City Council	0	-200	-200	-200
* CR11	Eff	Vacancy management for supported employment	-25	-50	-50	-50
* CR12	SR	Country Parks and Forestry - Cessation of the free tree planting scheme	-45	-45	-45	-45
** CR13	Eff	Customer Service Centre & Online Team Review	-70	-70	-200	-200
CR14	Eff	Reduced contingency and corporate projects	-180	-180	-135	-125
* CR15	SR	End support for community ICT	-70	-70	-70	-70
** CR16	Inc	Traded Income from School Foods, Bursars and Catering	-60	-125	-180	-180
Total			-450	-740	-880	-870
TOTAL			-4,025	-6,030	-8,415	-8,415
<u>CENTRAL ITEMS</u>						
CI1	Inc	Financial Arrangements - growth in ESPO income	-100	-200	-300	-400
TOTAL			-100	-200	-300	-400
TOTAL including additional income			-26,770	-43,390	-57,635	-58,795
Overall net additional savings				-16,620	-14,245	-1,160

APPENDIX E

Reference		2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
<u>GROWTH</u>					
<u>CHILDREN & FAMILY SERVICES</u>					
G1	Increased cost of Social Care Placements	7,900	7,900	7,900	7,900
G2	Information Management Systems development / maintenance	390	390	390	390
G3	Supporting Leicestershire Families pooled budget contribution	500	500	500	500
G4	Legislative changes	80	80	80	80
G5	Increase in grants for Care Leavers	35	35	35	35
	Total	8,905	8,905	8,905	8,905
<u>ADULTS & COMMUNITIES</u>					
<u>Demand & cost increases</u>					
** G7	Older people - new entrants and increasing needs in community based services and residential admissions	1,700	3,300	4,900	6,500
** G8	Learning Disabilities - new entrants including children transitions and people with complex needs	2,200	4,900	7,400	9,900
** G9	Mental Health - new entrants in community based services	600	1,200	1,800	2,400
** G10	Physical Disabilities - new entrants in community based services	800	1,600	2,400	3,200
<u>Other increases</u>					
** G11	Deprivation of Liberty Safeguards (DOLS) - increased team costs-post Supreme Court judgement	700	1,400	1,400	1,400
* G12	Removal of time-limited growth - Improve reablement opportunities for vulnerable adults and review of service users' needs	-480	-480	-480	-480
G13	Health Integration lead	50	50	50	50
	Total	5,570	11,970	17,470	22,970
<u>PUBLIC HEALTH</u>					
<u>Reduced Income</u>					
G14	Reductions to Public Health specific grant(offsetting savings are included)	2,200	3,200	4,200	4,200
	Total	2,200	3,200	4,200	4,200
<u>ENVIRONMENT & TRANSPORT</u>					
<u>Highways & Transport</u>					
<u>Demand & cost increases</u>					
** G15	Special Educational Needs transport - increased client numbers/costs	550	900	1,260	1,640
	Total	550	900	1,260	1,640
<u>Environment</u>					
<u>Demand & cost increases</u>					
** G16	Landfill Tax - annual increases linked to RPIX	180	365	485	625
** G17	Recycling (and Reuse) Credits	185	375	475	575
** G18	Waste tonnage increases	395	635	890	1,155
	Total	760	1,375	1,850	2,355
	Total	1,310	2,275	3,110	3,995
<u>CHIEF EXECUTIVES</u>					
<u>Demand & cost increases</u>					
* G19	Signposting and Community Support Service			100	100
	Legal Services- increased Family Justice, Court of Protection and School Appeal casework	140	140	140	140
G20	Business Intelligence Service	85	85	85	85
G23	Business Intelligence System (one-off growth)	120			
G24	Strategic Planning Service Growth	55	55	55	55
G25					
	Total	400	280	380	380
<u>CORPORATE RESOURCES</u>					
<u>Demand & cost increases</u>					
** G26	Revenue consequences of Corporate ICT capital programmes	175	245	275	275
G27	Strategic Property resources to manage and develop the Asset Investment Fund	380	300	300	300
G28	Effective Commissioning	115	115	115	115
G29	Corporate Records Management Service	60	60	60	60
G30	Human Resources to manage risks and temporary resourcing contract	90	90	90	90
G31	Local Government Pension Scheme (LGPS) following scheme changes	45	45	45	45
	Total	865	855	885	885
	TOTAL	19,250	27,485	34,950	41,335
	Overall net additional growth		8,235	7,465	6,385

* items unchanged from previous Medium Term Financial Strategy

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

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C&FS CAPITAL PROGRAMME 2016/17 to 2019/20 - Draft

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Improvements to Targeted Early Help Hubs *	340				340
	340	0	0	0	340
<u>MAIN GRANT FUNDING PROGRAMME</u>					
<u>Commitments b/f</u>					
School Accommodation Programme:					
- To provide additional primary school places	1,615				1,615
- To provide additional primary school places (new school at Braunstone)	2,200				2,200
- Mobile Replacement (Cossington)	850				850
<u>New Starts</u>					
School Accommodation Programme:					
- To provide additional primary school places	7,483	2,777			10,260
- To provide additional primary school places	660				660
- To provide additional primary school places (new school at Birstall)	1,604	2,851			4,455
- To ensure a good supply of secondary school places	100				100
- To complete the area special school programme	8,000	2,000			10,000
- To seek opportunities to address structural changes to the pattern of education where this can be linked to basic need (10+ Retention)	3,870				3,870
- Wigston Campus Masterplan, secondary adaptations to support 10+ removal	1,000				1,000
- Schools Access Initiative	50				50
- Ofsted and Safeguarding	50				50
School Condition	3,392				3,392
- Boiler Replacement					
- Structural Repairs					
- Electrical					
Sub-total	30,874	7,628	0	0	38,502
Schools Devolved Formula Capital	743				743
Overall Total	31,957	7,628	0	0	39,585

* - forecast to accelerate in 2015/16

A&C CAPITAL PROGRAMME 2016/17 to 2019/20 - Draft

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Proposed Schemes					
Smart Library - Syston (subject to business case), Invest to Save	40				40
Existing Schemes					
Replacement of mobile libraries - subject to Service Review	200	200			400
Libraries - reconfiguration of space	110				110
Changing Places / Toilets (facilities for people who need personal assistance)	140				140
Extracare Provision - Loughborough (Derby Road) contribution to East Midlands Housing Scheme	625	310			935
GRANT FUNDING					
Disabled Facilities Grant (DFG) - Better Care Fund (BCF)	1,739				1,739
Total A&C	2,854	510	0	0	3,364

Future Developments - subject to further detail and approved business cases					
Bosworth Battlefield Heritage Centre (possible invest to save and/or external funding)	tbc	tbc	tbc	tbc	tbc
Record Office - Archives storage capacity/needs and changing customer demands	tbc	tbc	tbc	tbc	tbc
Future Extracare Provision	tbc	tbc	tbc	tbc	tbc
Rollout of smart libraries to further 15 town centre libraries	tbc	tbc	tbc	tbc	tbc
Replacement of self service kiosks in town centre libraries	tbc	tbc	tbc	tbc	tbc
Snibston Colliery - new mining museum	tbc	tbc	tbc	tbc	tbc

PUBLIC HEALTH CAPITAL PROGRAMME 2016/17 to 2019/20 - Draft

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Warm & Healthy Homes - Minor works (Heating/Insulation)	300				300
Total Public Health	300	0	0	0	300

E&T TRANSPORT CAPITAL PROGRAMME 2016/17 to 2019/20 - Draft

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
<u>Commitments b/f</u>					
M1 New Bridge *	6,532				6,532
Ashby Canal	10	10	10		30
Zouch Bridge Replacement	0	1,075			1,075
Advance Design - Strategic Economic Partnership	1,957	600	1,000	4,055	7,612
Fleet Renewal - replace aged/leased vehicles	1,300				1,300
Melton Depot - Replacement	0	500	1,250		1,750
Croft Depot - replacement of gully emptying facilities to enable industrial redevelopment.	118				118
	9,917	2,185	2,260	4,055	18,417
<u>Invest to Save Scheme</u> - Subject to procurement and detailed business case					
Street Lighting (LED Installation, CMS System and de-illumination of street signs)	3,000	8,000	6,000		17,000
	3,000	8,000	6,000	0	17,000
<u>Strategic Economic Plan (SEP)</u>					
Leicester North West Major Scheme	4,194	6,124	4,182		14,500
Hinckley Area Approach - Zone 3	2,100				2,100
Hinckley Area Approach - Zone 4	300	800			1,100
A42 Junction 13	3,000				3,000
M1 Junction 21 (Lubbesthorpe Strategic Employment Site Access)	5,100				5,100
	14,694	6,924	4,182	0	25,800
<u>MAIN GRANT FUNDING PROGRAMME</u>					
<u>Transport Asset Management</u>		13,207	10,860	12,634	36,701
Carriageway Resurfacing & Major Strengthening	781				781
Bridges	1,535				1,535
Flood Alleviation	800				800
Footways (Category 1,2,3 & 4)	1,233				1,233
Street Lighting	850				850
Traffic Signal Renewal	200				200
Surface Dressing & Preventative Maintenance	4,808				4,808
Planned Carriageway Patching	3,000				3,000
	13,207	13,207	10,860	12,634	49,908
Total E&T	40,818	30,316	23,302	16,689	111,125

* - forecast to accelerate £2.0m in 2015/16

E&T WASTE MANAGEMENT CAPITAL PROGRAMME 2016/17 to 2019/20 - Draft

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
<u>Commitments b/f</u>					
Coalville Transfer Station	400	400			800
<u>New Schemes</u>					
Recycling Household Waste Sites Improvements - Drainage	115	550			665
Recycling Household Waste Sites Improvements - additional funding	150				150
Total Waste Management	665	950	0	0	1,615

CHIEF EXECUTIVES CAPITAL PROGRAMME 2016/17 to 2019/20 - Draft

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Rural Broadband Scheme - Phase 1 *	545				545
Rural Broadband Scheme - Phase 2	4,030	3,370			7,400
Shire Community Solutions Grants	100	100	100	100	400
Total Chief Executives	4,675	3,470	100	100	8,345

<u>Future Developments - subject to further detail and approved business cases</u>					
The Bassett Centre - create wedding venue for Registrars to generate income	tbc	tbc	tbc	tbc	tbc
The Atkins Building, Hinckley - Registrars. Improve offices for service revenue income	tbc	tbc	tbc	tbc	tbc

* - forecast to accelerate all of this in 2015/16

CORPORATE RESOURCES CAPITAL PROGRAMME 2016/17 to 2019/20 - Draft

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
<u>ICT:</u>					
WAN Renewal	0	0	50	400	450
Corporate ICT Capital Programme	665	550	400	400	2,015
Data and BI Technology Infrastructure	125	125			250
Intranet Replacement	335				335
VDI Expansion to non County Hall sites	1,080				1,080
Sub total ICT	2,205	675	450	800	4,130
<u>Strategic Property</u>					
County Farms Estate - General Improvements	100	100	100	100	400
Industrial Properties Estate - General Improvements	200	200	200	200	800
Industrial Properties - Maintenance Improvement	125				125
Property replace aged/leased vehicles	100				100
Sub total Strategic Property	525	300	300	300	1,425
Total Corporate Resources	2,730	975	750	1,100	5,555

CORPORATE PROGRAMME CAPITAL PROGRAMME 2016/17 to 2019/20 - Draft

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
<u>CORPORATE PROGRAMME</u>					
<u>Corporate Asset Investment Fund</u>					
Harborough Accelerator Zone	3,960	3,940			7,900
Coalville Workspace Project - subject to GD2 grant bid £3.7m	3,075	4,530	210		7,815
Loughborough University Science Enterprise Park (LUSEP)	330	4,810			5,140
Rural Workspace Project - subject to GD3 grant bid £3.24m	950	3,220	1,070		5,240
Asset Acquisitions Future Investments	1,000	1,000	1,000	1,000	4,000
County Hall Maintenance - major works on end of life replacements	500	500	500		1,500
Countesthorpe, The Drive - Re-provision of nursery facilities at alternative location	500				500
Charnwood Locality Office Accommodation (Pennine House, Loughborough)	250	900			1,150
County Hall Master Plan - (Anstey Frith House) Registrars, Out of Hours Office and flexible working technology	1,260				1,260
<u>Energy Strategy</u>					
Energy Strategy - Invest to Save Projects	500	500	500	300	1,800
Total Corporate Programme	12,325	19,400	3,280	1,300	36,305