



Meeting: **Scrutiny Commission**

Date/Time: **Wednesday, 30 November 2016 at 2.00 pm**

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

Contact: **Mr. S. J. Weston (Tel: 0116 305 6226)**

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Membership

Mr. S. J. Galton CC (Chairman)

Mrs. R. Camamile CC Mr. K. W. P. Lynch CC
Mrs. J. A. Dickinson CC Mrs. C. M. Radford CC
Dr. R. K. A. Feltham CC Mr. R. Sharp CC
Dr. S. Hill CC Mr. S. D. Sheahan CC
Mr. D. Jennings CC Mr. R. J. Shepherd CC

Please note: this meeting will be filmed for live or subsequent broadcast via the Council's web site at <http://www.leics.gov.uk/webcast> – Notices will be on display at the meeting explaining the arrangements.

AGENDA

<u>Item</u>	<u>Report by</u>
1. Minutes of the meeting held on 16 November 2016.	(Pages 5 - 10)
2. Question Time.	
3. Questions asked by members under Standing Order 7(3) and 7(5).	
4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.	
5. Declarations of interest in respect of items on the agenda.	



6. Declarations of the Party Whip in accordance with Overview and Scrutiny Procedure Rule 16.
7. Presentation of Petitions under Standing Order 36.
8. 2016/17 Medium Term Financial Strategy Monitoring (Period 6). Director of Corporate Resources (Pages 11 - 38)
9. Review of Earmarked Funds and Balances. Director of Corporate Resources (Pages 39 - 58)
10. Date of next meeting.

The next meeting of the Commission is scheduled to take place on 25 January 2017 at 10.30am.
11. Any other items which the Chairman has decided to take as urgent.

QUESTIONING BY MEMBERS OF OVERVIEW AND SCRUTINY

Members serving on Overview and Scrutiny have a key role in providing constructive yet robust challenge to proposals put forward by the Cabinet and Officers. One of the most important skills is the ability to extract information by means of questions so that it can help inform comments and recommendations from Overview and Scrutiny bodies.

Members clearly cannot be expected to be experts in every topic under scrutiny and nor is there an expectation that they so be. Asking questions of 'experts' can be difficult and intimidating but often posing questions from a lay perspective would allow members to obtain a better perspective and understanding of the issue at hand.

Set out below are some key questions members may consider asking when considering reports on particular issues. The list of questions is not intended as a comprehensive list but as a general guide. Depending on the issue under consideration there may be specific questions members may wish to ask.

Key Questions:

- Why are we doing this?
- Why do we have to offer this service?
- How does this fit in with the Council's priorities?
- Which of our key partners are involved? Do they share the objectives and is the service to be joined up?
- Who is providing this service and why have we chosen this approach? What other options were considered and why were these discarded?
- Who has been consulted and what has the response been? How, if at all, have their views been taken into account in this proposal?

If it is a new service:

- Who are the main beneficiaries of the service? (could be a particular group or an area)
- What difference will providing this service make to them – What will be different and how will we know if we have succeeded?
- How much will it cost and how is it to be funded?
- What are the risks to the successful delivery of the service?

If it is a reduction in an existing service:

- Which groups are affected? Is the impact greater on any particular group and, if so, which group and what plans do you have to help mitigate the impact?
- When are the proposals to be implemented and do you have any transitional arrangements for those who will no longer receive the service?
- What savings do you expect to generate and what was expected in the budget? Are there any redundancies?
- What are the risks of not delivering as intended? If this happens, what contingency measures have you in place?

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Minutes of a meeting of the Scrutiny Commission held at County Hall, Glenfield on Wednesday, 16 November 2016.

PRESENT

Mr. S. J. Galton CC (in the Chair)

Mrs. R. Camamile CC
Mrs. J. A. Dickinson CC
Dr. R. K. A. Feltham CC
Dr. S. Hill CC
Mr. D. Jennings CC

Mr. K. W. P. Lynch CC
Mrs. C. M. Radford CC
Mr. R. Sharp CC
Mr. S. D. Sheahan CC
Mr. R. J. Shepherd CC

In Attendance:

Mrs. P. Posnett CC, Cabinet Lead Member for Equalities (For Minute 40)

33. Minutes.

The minutes of the meeting held on 13 July were taken as read, confirmed and signed.

34. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

35. Questions asked by members.

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

36. Urgent Items.

There were no urgent items for consideration.

37. Declarations of Interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

The following members each declared a personal interest in respect of all three substantive items on the agenda (Minutes 40, 41 and 42 refer) as members of district/borough councils (as indicated) affected by the proposals:

Mr. S. J. Galton CC (Harborough District Council)
Dr. S. Hill CC (Harborough District Council)
Mr. D. Jennings CC (Blaby District Council)
Mr. K. W. P. Lynch CC (Hinckley and Bosworth Borough Council)

Mrs. C. M. Radford CC (Charnwood Borough Council)
 Mr. R. Sharp CC (Charnwood Borough Council)
 Mr. S. D. Sheahan CC (North West Leicestershire District Council)
 Mr. R. J. Shepherd CC (Charnwood Borough Council)

38. Declarations of the Party Whip.

There were no declarations of the party whip.

39. Presentation of Petitions.

The Chief Executive reported that no petitions had been received under Standing Order 36.

40. The Bishop's Poverty Commission Report - County Council Work to Progress Recommendations.

The Commission considered a report of the Chief Executive concerning progress made by the County Council and its partners against those recommendations in the Bishop's Poverty Commission report entitled "How Do They Get By?" that relate to the County Council's area of business. A copy of the report, marked "Agenda Item 8", is filed with these minutes.

The Chairman welcomed to the meeting Mrs. P. Posnett CC, Cabinet Lead Member for Equalities, who was present to respond to any questions members of the Commission had on the report. By way of an introduction, the lead member stated that addressing poverty was an important area of the Council's work both as a means of supporting communities and reducing dependence on the services of the County Council and other public bodies.

Arising from a discussion, the following points were noted:

- Though the implications of the Bishop's report were still being understood at a corporate level, the formulation of the report before the Commission had enabled officers to fully appraise the activity being carried out in support of its aims and enable a dialogue to take place with senior management about how this work could be fully embedded across Council departments;
- Loan sharks were a known contributor to poverty with high interest rates that often proved unsustainable for those who often sought loans when struggling to make ends meet. The Council was already tackling loan sharks via its Regulatory Services department, though more would be done to promote credit unions as a more viable means of borrowing at times of need;
- Concern was raised that, instead of simply adopting the Bishop's Report's recommendations, the Council should devise its own definition of poverty in its various forms. A further view was made that County Councillors could play an active role in this work and broaden awareness for services amongst communities;
- The Lead Member attended meetings and received reports from an officer level Communities Board and a Fair Finance Group. These bodies aimed to increase awareness for the services available relating to poverty and encouraged agencies

providing these services to be more joined-up in their approach;

- In response to a point made that, whilst there was a wealth of services available to those who suffered poverty, there appeared to be duplication, it was noted that the County Council aimed to develop a policy framework to address poverty in a more strategic way. It was hoped that work would provide linkages to the Council's economic agenda to increase skills employment opportunities and growth;
- Whilst the importance of addressing the needs of families who were suffering from poverty was stressed, the need to also address the needs of single adults who had perhaps fallen on hard time was of equal importance. The need to ensure joined-up thinking in relation to mental health services was also stressed;
- The location of "Keep Safe Places" was publicised. These locations were often libraries or shops and provided a place of refuge for those who found themselves with difficult situations at home. Those accessing these locations were offered trained support and signposting to important services that would assist them in their rehabilitation;
- A suggestion was made to hold a facilitated discussion around the issues associated with poverty in the company of two agencies providing poverty-related services as a means of aiding members' understanding on this issue.

RESOLVED:

- (a) That the report be noted;
- (b) That a report on the outcomes thus far of meetings of the officer level Communities board and the Fair Finance Group be submitted to the Scrutiny Commissioners in the New Year;
- (c) That the suggestion to hold a facilitated discussion around the issues associated with poverty in the company of two agencies providing poverty-related services be considered as a means of aiding members' understanding on this issue.

41. Leicestershire County Council Annual Performance Report 2015/16.

The Commission considered a Cabinet report of the Chief Executive concerning the County Council's Annual Performance Report 2015/16 which would be considered at its meeting on 23 November. A copy of the report, marked "Agenda Item 9" is filed with these minutes.

In support of the report, officers took members through a slide deck which set out some additional statistics and charts around the Council's performance. A copy of the slide deck is filed with these minutes.

Arising from a discussion, the following points were noted:

- It was important that the Council's strong delivery in the face of significant budget cuts did not undermine the "Fairer Funding" campaign that was being put to the Government. Equally, it was felt that there should be an increased emphasis in the Report on the service reduction context and the "managed decline" process which the Council was now operating within. Particularly Part A of the Report in its current

form was felt to present a largely positive picture in the face of reduced funding and service reductions and this might inhibit the Council's ability to lobby for financial parity with similar sized authorities. It was intended to imminently hold a separate session for all members of the Council on the Fairer Funding campaign;

- It was suggested that there should be a focus on “spending need per dwelling” as well as “spend per dwelling”;
- Whilst being a low spending authority was generally viewed by the Chartered Institute of Public Finance and Accountancy as being a positive in terms of efficiency, it was noted that this could be looked at negatively when funding reduced below a minimum threshold for effective service delivery. It was considered that Leicestershire's low funding meant it was in danger of going below that threshold. Further thought would be given to the way in which this message was presented in future Annual Performance Reports;
- A view was expressed that the Report focused heavily on future transport projects which were viewed by some members as being irrelevant to a review of performance over the past year. In response, it was noted that the Department had felt that it was important to provide this context within the Report;
- It was suggested that on the indicator “average speed on roads” might be better measured in terms of “time lost to congestion”, which was generally viewed as being a more significant factor for the public. Officers agreed to take this suggestion back to the Environment and Transport Department for further consideration. It was noted that congestion was a performance measure currently taken between the hours of 7.00am and 10.00am;
- A view was expressed that the majority of people in the County were affected by the condition and performance of the road network and that this should be reflected in future priorities;
- With an increased national focus on climate change, it was suggested that the Council should remain fully committed to reducing its carbon footprint. Whilst it was noted that the Council had generally made good progress on this issue, it was suggested that extra efforts could be made to ensure that the lights at County Hall were switched off when not in use.

RESOLVED:

That the comments of the Commission be forwarded to the Cabinet for consideration at its meeting on 23 November.

42. Place Marketing and Organisation Business Case.

The Commission considered a Cabinet report of the Chief Executive concerning outcomes of a tourism review process and the proposed arrangements for the delivery of tourism support and related services across Leicester and Leicestershire. A copy of the report, marked “Agenda Item 10”, is filed with these minutes.

Arising from a discussion, the following points were noted:

- The “teckal-compliant” Place Marketing Organisation (PMO) would be legally independent of the County and City Councils. The PMO would be limited to achieving 20% of its income through trading;
- The County Council would be contributing £475,000 to the funding of the PMO between 2017 and 2020. £350,000 had already been committed through the MTFS and from County Council economic ear-marked funds, leaving a funding gap of £125,000 over three years. This would be addressed through the MTFS;
- The PMO would take on a more strategic role than that previously carried out by Leicester Shire Promotions Ltd (LPL). LPL was aiming to continue to carry out its more tactical responsibilities in support of the new arrangements, though it would be required to do this without any core public funding from the County and City Councils. It would however be able to tender for services that the PMO procured;

RESOLVED:

That the proposed arrangements for the establishment of a Place Marketing Organisation be supported.

43. Dates of Future Meetings.

It was NOTED that the next meeting of the Commission was scheduled to be held on 30 November at 2.00pm. It was also NOTED that future meetings of the Commission were scheduled to take place at 10.30am on the following dates in 2017:

25 January
8 March
7 June
13 September
15 November

10.30 am - 12.30 pm
16 November 2016

CHAIRMAN

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SCRUTINY COMMISSION – 30 NOVEMBER 2016

2016/17 MEDIUM TERM FINANCIAL STRATEGY MONITORING (PERIOD 6)

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of Report

1. To provide members with an update on the 2016/17 revenue budget and capital programme monitoring position.

Policy Framework and Previous Decisions

2. The 2016/17 revenue budget and the 2016/17 to 2019/20 capital programme were approved by the County Council at its budget meeting on 17 February 2016 as part of the Medium Term Financial Strategy (MTFS). The MTFS is monitored throughout the financial year.
3. The Cabinet on 11 October 2016 approved additional areas of investment to be funded from additional resources arising from projected underspends, as set out in paragraph 44 below. The Cabinet also approved the investment of up to £10m of the County Council's earmarked funds into a pooled property fund, or a small number of pooled property funds as the Director of Corporate Resources deems appropriate, subject to the medium-term return outlook being acceptable.

Background

4. The latest revenue budget monitoring exercise shows a net projected underspend of £16.2m, as summarised in Appendix 1. Details of major variances are set out below and on Appendix 2.
5. The latest capital programme monitoring exercise shows a net projected acceleration of £0.6m compared with the updated budget on those schemes categorised as "live".
6. The monitoring information contained within this report is based on the pattern of revenue and capital expenditure and income for the first six months of this financial year.

REVENUE BUDGET

7. The results of the latest revenue budget monitoring exercise are summarised in Appendix 1.

Children and Family Services

8. The Department is forecasting a net overspend of £3.6m on the Dedicated Schools Grant (DSG) Block and is on budget regarding the Local Authority (LA) Block.
9. The DSG Block overspend mainly relates to continuing pressure on the Special Educational Needs (SEN) budget. An overspend of £3.1m was recorded on SEN placements in 2015/16, this together with further anticipated growth in cost and volume were addressed within the 2016/17 budget setting exercise. SEN budgets were increased by £7.6m, £4.3m of this was funded from a transfer from the Schools Block, including a reduction in the Age Weighted Pupil Unit within school budgets, further budget adjustments were made and the SEN services were allocated a savings target of £2.8m in order to accommodate the costs within the available funding.
10. For 2016/17 a budget overspend of £3.8m is being reported on SEN, £1.9m of which relates to the non-achievement of savings. Some actions have been put in place to reduce costs. This includes a limited expansion of local provision for pupils with Autistic Spectrum Disorders (ASD) and increased support offer to retain primary age pupils within mainstream schools to reduce the need for more costly specialist provision. However, for 2016/17 the actions and their financial impact are limited and will be seen in the medium rather than short term, and not at the scale or pace required. The remaining overspend relates to increases in cost and volume of SEN placements. Although in the current year this can be met from the DSG earmarked fund, it is a major concern.
11. In March the Department of Education (DfE) consulted on changes to the methodology for the High Needs grant allocations. Whilst the impact of the proposed changes on DSG income is uncertain, the consultation included firm proposals to ring fence the three elements of DSG to stop local authorities moving funding between schools, early years and high needs. This will have a significant impact on the local authority budget if overspends on the high needs block are not reduced. The outcome of this consultation and implementation date is unknown.
12. Although it is not possible until all pupil destinations for the 2016/17 academic year are confirmed to ascertain the full extent of any overspend in next year there is no doubt this budget will be under extreme pressure in 2017/18 and later years.
13. Further options to reduce costs are being formulated and these were presented to a Star Chamber and the Schools Forum in October. It is essential that a comprehensive and practical plan is developed as soon as possible. Schools along with the County Council need to work together to address this budget issue as the current emphasis on specialist provision is not affordable. This work is being supported by the Transformation Programme.
14. The balanced position on the LA Block includes underspends on Social Care Placements, Education Learning and Skills, Targeted Early Help and Social Care and Safeguarding Assurance, offset by agency costs related to interim departmental management changes.

15. There are financial risks within the LA budget that have not been included in the forecasts at this stage but that may arise during the year. These include Social Care Placements and Unaccompanied Asylum Seeking Children (UASC) explained in the following paragraphs.

Social Care Placements

16. Continuing pressure on this budget heading. The budget overspent by £4.6m in 2015/16 which was addressed by growth of £7.9m to cover this and provide capacity for an increase in costs in 2016/17. The net effect is an increase of £3.3m assuming that the savings included in the budget of £2.1m for reduced cost/ demands on placements, an increase in in-house foster carers and the Children's home closure could be met. The latest forecast, including a continuation of growth at recent levels, is that the overall budget will be underspent by a further £0.7m in 2016/17 (in addition to the £0.4m already reported). However this is a volatile area where local and national child protection cases can be expected to influence the number of children requiring care packages.
17. Of the £2.1m savings, the focus on reducing costs of placements and the closure of Greengate home have reduced costs by £1.5m and can be seen by the reduction in the average placement cost. The balance of savings, relating to the increase in in-house foster care placements of £0.6m, is not yet evident.
18. The estimated underlying growth for placements for 2016/17 is £1.6m. Although the average cost of a placement has reduced, the child population continues to grow which will result in a greater number of children in care and lead to financial growth. There is no provision for growth in the current MTFS for future years, however this is being reviewed as part of the new MTFS.
19. For 2016/17 the number of looked after children has increased from 469 in March to 502 at the end of September. Analysis of the type of placement and the financial position shows a reduction in children in residential care and a movement to lower cost provision.
20. In summary, of the £3.3m additional funding at the start of the year, £1.6m has been allocated as additional growth, £0.6m savings on foster carers have not yet been evidenced, and £1.1m potential underspend. The position is being kept under continual review.

Unaccompanied Asylum Seeking Children

21. The national position on Unaccompanied Asylum Seeking Children is extremely volatile. Currently there are three different national schemes supporting asylum seekers:
- Spontaneous Arrivals – children that have and will continue to arrive in Leicestershire usually through transport links, usually at motorway services. Home Office grant is received for eligible children but is insufficient to cover

costs. An estimate for those children is included in the Social Care Placement forecast but it is a potentially volatile area.

- National Transfer Scheme (NTS) – the Cabinet received a report on 11 October 2016 and subsequently withdrew from this scheme. This was based on the expectation of an additional 70 children with an average net cost of £79 per day (£2m per annum). Whilst 7 children have been received the Cabinet decision will result in no further children being accommodated.
- Resettlement of Syrian Refugees – this scheme is being administered through Charnwood Borough Council. The grant payable includes an educational element for eligible children which is being paid directly to the admitting school. Councils may also claim ‘exceptional’ education and social care costs within 1 year of the family’s arrival. To date one family has been settled in Leicestershire with further families expected to arrive shortly.

22. In terms of cost the unfunded elements of spontaneous arrivals and the NTS fall to local authorities. The current forecast is an overspend of £0.1m.

23. It is expected that the number of unaccompanied children in the UK will increase as a result of actions being taken by the French Government in Calais to clear the current ‘jungle’ camps. Children are expected to arrive via 2 criteria:

- The Dublin Treaty – children will be reunited with family members already in the UK. It is expected that the local authority in which the family reside will complete the necessary checks and assessments; children will be initially placed in reception centres. The looked after status for these children is unclear and the Home Office have been asked for clarification.
- The Dubs Amendment- These children will be allocated to local authorities through the NTS; it is not expected that Children will arrive in Leicestershire as a result of the Cabinet decision to withdraw from the scheme. If the position were to change the £2m estimate may increase.

Adults and Communities

24. The Department is forecasting a net underspend of £6.7m (4.9%). The main variances relate to:

- An underspend due to predicted growth on the number of commissioned hours and costs of home care (£3.6m) not being required. The number of hours have been relatively stable during 2016/17 at 2015/16 levels to date.
- An underspend on direct cash payments (£1.0m) due to lower average payments compared with last year, lower growth in expected numbers and clawback of unspent cash payment balances. The underspend has been reduced by allocating £1m of the savings required under MTFs savings ‘AC14 for reduced cost and demand for social care’.

- An underspend in supported living (£0.8m) due to the predicted growth in service users, as a result of changes to ordinary residence rules following the introduction of the Care Act, not materialising. The underspend has been reduced by allocating £1m of the savings required under AC14 for “Reduced cost and demand for social care”.
 - Other significant savings include reductions in contract costs, increased income from Continuing Health Care (CHC) and vacancy management (total £3.2m).
 - An overspend on Residential and Nursing Care (£1.9m) – Service user and CHC contributions are forecast to be £1.0m lower than budgeted and an increase in expenditure on social care provision forecast of £0.9m due to an increase in payments for additional needs, and some significant new care packages. The overall number of service users remains static at around 2,400.
25. Income varies from year to year and will continue to be closely monitored to identify any trends in the commissioning of services that will have an ongoing impact on budgeted income.
26. During 2016/17 an additional contribution of £0.5m was agreed from the Better Care Fund to fund the same levels of service on residential care and homecare to avoid the impact on the NHS.

Public Health

27. The Department is forecast to achieve an overall underspend of around £50,000, mainly due to a delay to the expansion of Local Area Co-ordination while further evidence of Health outcomes is being collected.
28. As a result of the 2015 comprehensive spending review, which cut non-NHS Public Health funding by an average of 3.9% in real terms per annum, significant savings have had to be achieved in the MTFs. Although the savings have already been or are on track to be achieved, there are risks associated with the reduction in preventive spend. Additionally, NHS England’s decision to appeal the High Court ruling that the NHS and not local authorities were responsible for providing an anti-retroviral drug aimed at controlling the spread of HIV creates further risk. The cost of this amongst high risk groups for Leicestershire could be in excess of £1m but would be highly dependent on take-up.

Environment and Transport

29. At this stage the Department is forecasting a net £0.1m (0.2%) underspend.
30. Transport budgets are currently overspending. This mainly relates to SEN transport (£0.6m), where there is an increase in the number of pupils coming through the system over and above the additional growth already built into the 2016/17 budget (97 new users or contract changes since February 2016 when growth was agreed). Overall there are approximately 1,600 service users, although this number fluctuates throughout the year. In addition the risk assessment process has identified individuals

with more complex needs, leading to an overall increase in average daily costs per user of 10%. There is also a forecast overspend of £0.2m on Social Care transport due to increased demand.

31. These overspends are offset by lower usage of Mainstream School Transport £0.3m, savings on Public Bus Service contracts £0.2m, and savings on a number of Environment and Waste budgets £0.3m, mostly through more cost effective waste treatment and lower waste tonnages.
32. There is also an underspend on Highways maintenance budgets from lower energy costs due to acceleration of the LED installation programme and fewer drainage repairs being carried out as a result of a lack of resources being available to identify and evaluate jobs linked in part to transition arrangements arising from the departmental restructure, total £0.3m.
33. The income elements of the staffing and administration budgets are forecast to overspend by £0.2m due to unachieved MTFs savings. These will now be achieved in 2017/18.

Chief Executives

34. The Department is forecast to underspend by £0.4m (4.4%). The underspend is mainly due to staff vacancies and increased income, partly offset by an overspend of around £0.1m on the Coroners Service, relating to increasing running costs and investigations linked to the rising number of Deprivation of Liberty cases.

Corporate Resources

35. The Department is forecast to underspend by £0.3m (0.9%). This is mainly due to staff vacancies ahead of impending staff reviews in Human Resources £0.1m, Commissioning Support Unit £0.1m and Strategic Finance £0.2m and reduced spend on Learning and Development £0.2m. Commercial Services are also making profit gains of £0.1m above budget across most services as a result of increased sales and reduced costs.
36. The position is offset by overspends in; Strategic Property, £0.1m, due to increased revenue costs required to fund feasibility and other costs associated with the Asset Investment programme, Operational Property, £0.1m, due to delays to achieving Supported Employment savings as retirements have been delayed and increased demand costs in maintenance and unattached properties, and the Customer Service Centre, £0.1m, due to a combination of maternity and training cover.

Contingencies

37. A contingency of £8.0m was made against delays in the achievement of savings. At this stage of the year and in the context of the overall spend reported above, it is unlikely that the contingency will be required and can be released to provide funding for initiatives that reduce future budget pressures.

38. The 2016/17 budget included a £17.2m provision for inflation. This has been increased by a £0.9m carry forward from a balance on the 2015/16 inflation contingency. Allocations of £9.7m have been made to departments at this stage, to cover part of the Adult Social Care Fee Review, the April 2016 pay award, a major change to National Insurance, an increase in pension contribution rates, transport inflation and a number of minor issues. Further transfers will be required to cover the full impact of the National Living Wage on the Adult Social Care Fee Review and a number of other inflation issues.

Central Items

39. The recent reduction in bank base rates will have the impact of reducing the amount of interest earned on revenue balances. The loan portfolio does, however, have a large exposure to longer terms loans (6 month/12 month) that were placed late in the last financial year or early in the current one in the expectation that base rates were not going to be rising and the rates offered were, therefore, attractive. Following the outcome of the EU referendum it seemed fairly clear that base rates would actually be reduced and further loans were placed in order to protect returns for as long as possible.
40. The outcome of this action is that there is very little risk that this year's budget of £2m will not be achieved. Forecasts in future years' budgets, which took account of the expectation of gradually increasing base rates over the period, will need to be revised downwards as part of the new MTFS.
41. An underspend of £0.5m is forecast on the Financing of Capital budget, due to the County Council's strategy to take opportunities to utilise one-off revenue balances and earmarked funds to continue to reduce debt.

Business Rates

42. The County Council is undertaking quarterly monitoring with the District Councils and Leicester City Council regarding the 2016/17 Leicester and Leicestershire Business Rates Pool. The latest forecasts show a potential surplus of around £4.3m for the sub region in 2016/17. The Pooling Agreement allows for any surplus, less a contingency for future Business Rate Pools, to be allocated to the Leicester and Leicestershire Enterprise Partnership (LLEP) for investment projects in Leicestershire.
43. The 2015/16 Pool has now been finalised and reported a surplus of £2.7m. There is a contingency of £0.7m from previous years giving a final 2015/16 total of £3.4m. Of this £2m has been allocated to the LLEP and the balance brought forward as a contingency to the current and future Business Rate pools.

Revenue Summary / Areas of investment funded from underspend

44. Overall a net revenue underspend of £16.2m is reported as at period 6, which reflects the early achievement of savings, the contingency for savings not being required in 2016/17 and growth in certain areas not yet materialising. The Cabinet on 11 October agreed to use £15.6m of the underspend to fund investments in projects that reduce

liabilities and ongoing costs, generate or increases income and offsets areas of high demand and pressure. The approved areas of investment are:

- Vehicle replacement £1m – to generate savings
- Highways maintenance £5m – including road safety and flood alleviation
- Asset Investment Fund £5m – to generate extra income
- Transformation / Invest to Save £3m – likely that the programme will need funding for some time
- Energy Schemes £1m – to generate savings

45. In addition to the above, the Cabinet agreed an investment of up to £10m into Pooled Property Investment Funds (in addition to the £15m approved by Cabinet in September 2015) against the overall level of forecast earmarked fund balances (£85.3m as at 31 March 2016, excluding Dedicated Schools Grant). The investment will generate higher financial returns than the funding held as cash balances. The investment can be realised when the funding is needed.

CAPITAL PROGRAMME

46. The updated capital programme for 2016/17 totals £100.3m, including funding carried forward from 2015/16. The results of the latest capital monitoring exercise is summarised in Appendix 3 and Appendix 4.

47. The analysis in Appendix 3 shows the current status of delivery of projects analysed by three categories:

- L = Live Schemes: works have commenced or are in a position to start
- P = Preparatory Schemes: schemes identified, require regulatory or internal approval
- F = Funding Available: schemes at ideas stage

48. Schemes are expected to move through the stages during the year. Schemes at the funding available stage have a greater level of uncertainty and potential for delay.

Live Schemes

49. Overall £92.9m of the total programme is categorised as at a Live stage. Forecast spend is £93.5m resulting in acceleration of £0.6m from 2017/18 to 2016/17.

Children and Family Services

50. There is an underspend on the School Accommodation Programme of £0.5m mainly relating to reduced costs of external works at Sibley Redlands Primary School. The funding will be carried forward to 2017/18 to fund additional school accommodation projects.

Adults and Communities

51. The forecast expenditure is in line with the updated budget.

Public Health

52. The forecast expenditure is in line with the updated budget.

Environment and Transport – Transportation Programme

53. The latest forecast shows net acceleration of £1.1m compared with the updated budget.

54. The main variances are reported below:

- Slippage of £1.1m on work to the A42 Junction 13 due to aligning the works with Highways England Maintenance schemes.
- Slippage of £1.0m on Transport Asset Management – Surface Dressing Scheme - due to resources being directed to winter maintenance in April, flooding issues and fewer days of surface dressing due to unsuitable weather.
- Acceleration of £3.0m on the Street Lighting LED invest to save scheme due to a revised profile of works and additional installation gangs that have been contracted.

Environment and Transport – Waste Management

55. The forecast expenditure is in line with the updated budget.

Chief Executive's

56. The forecast expenditure is in line with the updated budget.

Corporate Resources

57. The latest forecast shows a net underspend of £0.3m compared with the updated budget.

58. The main variances are reported below:

- Underspend of £0.2m on Demolition of Vacant Buildings as a result of requiring potential purchasers to pay for demolition costs.
- Underspend of £0.1m on the Internet Replacement programme. The project is forecast to spend to budget but more costs will now be revenue than capital.

Corporate Programme

59. The latest forecast shows a net variance of £0.3m compared with the updated budget. This includes the following variances:

- Slippage of £0.6m on Corporate Asset Investment Fund. The Coalville Workspace Project is forecast to slip to 2017/18 due to delays obtaining planning permission.
- Acceleration of £0.8m on the Energy Strategy Invest to Save project due to an increase in interest from maintained and academy schools.
- An overspend of £0.3m on the acquisition of North Kilworth, Walton Holt Farm as part of the Corporate Asset Investment Fund. The agreed purchase fee is higher than originally expected due to the desirability of the site and the number of other bidders.

Preparatory / Funding Available Stage

60. Overall there is a total of £4.2m (updated budget) of schemes at the preparatory stage, awaiting approvals to proceed. Of this £3.1m is forecast to be spent in 2016/17. The main areas are:
- E&T Waste Management - funding no longer required for the Coalville Transfer Station (£0.7m). The business case for Coalville Transfer Station is no longer viable and the proposed scheme will now not take place.
 - Corporate Programme – investment at Loughborough University Science Enterprise Park (£1.6m) pending confirmation of the investment required.
 - Corporate Programme – County Hall Maintenance (£0.5m), first year of a three year programme of works. Scheme preparation is underway with tenders now being prepared. The first phase of works are expected to be completed by year end.
 - Corporate Programme - Countesthorpe, The Drive (£0.5m) re-provision of nursery has been delayed while a review of alternatives is being undertaken.
61. Overall there is a total of £3.2m (updated budget) of schemes at the funding available stage; awaiting schemes to be identified for investment. These include:
- Adults and Communities - new Changing Places / Toilets for people who need personal assistance (£0.1m). Two schemes are expected to be delivered - one at Hinckley Leisure Centre and the other at Watermead Country Park. Further schemes are being scoped that would reduce the underspend if they can be delivered in 2016/17.
 - E&T Transportation – Advanced Design work (£1.9m) work pending the formulation of future year scheme plans.
 - E&T Transportation – Fleet Renewal (£1m) and Road Safety (£0.2m) while confirming detailed requirements. The funding is expected to be spent in 2016/17.

Capital Receipts

62. The forecast of general capital receipts in 2016/17 is £13.6m. The budget target is £12.1m. The increase in the estimate relates to a sale which is expected to bring in more capital receipt than forecasted.

Capital Summary

63. The latest forecast shows net acceleration of £0.6m compared with the updated capital programme for projects categorised as 'Live'.

Background Papers

Report to County Council -17 February 2016 – Medium Term Financial Strategy 2016/17 to 2019/20

<http://politics.leics.gov.uk/ieListDocuments.aspx?MIId=4427>

Report to Cabinet – 11 October 2016 – 2016/17 Medium Term Financial Strategy Monitoring (Period 5) and Investment Proposals

<http://politics.leics.gov.uk/ieListDocuments.aspx?CIId=135&MIId=4606&Ver=4>

Circulation under the Local Issues Alert Procedure

None

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Appendices

Appendix 1 – Revenue Budget Monitoring Statement

Appendix 2 – Revenue Budget – Forecast Main Variances

Appendix 3 – Capital Programme Monitoring Statement

Appendix 4 - Capital Programme – Forecast Main Variances

Equality and Human Rights Implications

There are no direct implications arising from this report.

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REVENUE BUDGET MONITORING STATEMENT
FOR THE PERIOD : APRIL 2016 TO SEPTEMBER 2016

	Updated Budget	Projected Outturn	Difference from Updated Budget		
	£000	£000	£000	%	
Schools Budget					
Delegated	103,713	103,713	0	0.0	
Centrally Managed	83,796	87,426	3,630	4.3	
Dedicated Schools Grant (DSG)	-187,509	-187,509	0	0.0	
Balance from DSG Earmarked Fund	0	3,630	3,630	n/a	
LA Budget					
Children & Family Services (Other)	61,983	61,983	0	0.0	GREEN
Adults & Communities	137,509	130,779	-6,730	-4.9	GREEN
Public Health *	-2,450	-2,500	-50	2.0	GREEN
Environment & Transport	72,374	72,234	-140	-0.2	GREEN
Chief Executives	10,020	9,580	-440	-4.4	GREEN
Corporate Resources	35,778	35,458	-320	-0.9	GREEN
DSG (Central Dept recharges)	-922	-922	0	0.0	GREEN
Carbon Reduction Commitment	355	355	0	0.0	GREEN
Corporate Carry Forwards from 2015/16	7,650	7,650	0	0.0	GREEN
Contingency for savings	8,000	0	-8,000	-100.0	GREEN
Contingency for inflation	8,354	8,354	0	0.0	GREEN
Total Services	338,651	322,971	-15,680	-4.6	
Central Items					
Bank & Other Interest	-1,950	-1,950	0	0.0	GREEN
Financing of Capital	24,100	23,600	-500	-2.1	GREEN
Repayment of Debt / MRP	4,475	4,475	0	0.0	GREEN
Revenue Funding of Capital	3,947	3,947	0	0.0	GREEN
Financial Arrangements etc	-50	-50	0	0.0	GREEN
Members Exps & Support etc.	1,354	1,324	-30	-2.2	GREEN
Provision for future Elections	200	200	0	0.0	GREEN
Flood Defence Levies	280	280	0	0.0	GREEN
Pension Costs	1,900	1,860	-40	-2.1	GREEN
Contribution to Discretionary Discounts & Admin.	225	175	-50	-22.2	GREEN
Local Support Services Grant	-385	-355	30	-7.8	RED
New Homes Bonus Grant	-4,170	-4,170	0	0.0	GREEN
New Homes Bonus - element of top slice returned	-130	-130	0	0.0	GREEN
Education Services Grant	-3,650	-3,550	100	-2.7	RED
Transition Grant	-3,307	-3,307	0	n/a	GREEN
Total Central Items	22,839	22,349	-490	-2.1	
Contribution from Earmarked Funds	-1,000	-1,000	0	0.0	GREEN
Total Spending	360,490	344,320	-16,170	-4.5	
Funding					
Revenue Support Grant	-36,992	-36,992	0	0.0	GREEN
Business Rates - Top Up	-36,743	-36,743	0	0.0	GREEN
Business Rates Baseline	-20,336	-20,336	0	0.0	GREEN
Small Business Rate relief etc - S31 Grant	-1,470	-1,450	20	-1.4	AMBER
Collection Fund net deficit / (surplus)	-3,682	-3,682	0	0.0	GREEN
Council Tax	-247,515	-247,515	0	0.0	GREEN
Total Funding	-346,738	-346,718	20	0.0	
Net Total **	13,752	-2,398	-16,150		
Expenditure approved by Cabinet 11/10/16			15,600		
Overall Net Total			-550		

* Public Health funded by Grant (£26.1m)

** Updated budget net total of £13.752m represents carry forwards from 2015/16

'Traffic lights' :

Underspending / on budget	GREEN
Overspending of 2% or less	AMBER
Overspending of more than 2%	RED

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Revenue Budget 2016/17 – forecast main variancesChildren and Family ServicesDedicated Schools Grant

A net overspend of £3.6m is forecast, which will be funded from the DSG earmarked fund. The main variances are:

	£000	% of Budget	
Special Educational Needs (SEN)	3,750	7%	Increased demand at special schools due to unusual age profile with fewer age 19 leavers and a large intake of younger pupils. Material increase in numbers of pupils diagnosed with Autism Spectrum Disorder (ASD) and needing high cost independent specialist provision. Additional primary school starters resulting from changes to SEN and Disability (SEND) legislation to expand age range from birth to 25 years of age. Fewer independent school leavers due to full year effect of Participation Age extension and increased numbers of students at FE colleges and post 16 Independent Specialist Provision in line with changes to the Participation Age with no additional DSG funding. The 2016/17 budget was set after transferring £4.3m from the DSG Schools Block to the High Needs Block leaving a savings target of £2.8m. This has not been achieved and additional pupil demand since April has added to the overspend. £0.4m of SEND grant has been used to reduce the overspend.
DSG Early Years Block	230	-1%	Grant forecast reduced in line with the 2, 3 and 4 year old summer term 2016 actual data. The forecast grant payments to nursery schools has also been reduced.
0-5 Learning	-360	-2%	This underspend is as a result of the following:- <ul style="list-style-type: none"> • Underspend within the Early Learning and Childcare Improvement team due to staff

			vacancies (£-60k) <ul style="list-style-type: none"> • Nursery Education Funding - forecasting an underspend of £160k as result of the latest headcount information available • Early Years - 2 Year old offer underspend of £140k, based on current known data.
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Local Authority Budget

The Local authority budget is forecast to be on budget. The main variances are:

	£000	% of Budget	
Directorate	485	60%	Interim C&FS management changes and delays in departmental restructure have resulted in a significant proportion of staff agency related spend.
Children's Social Care Legal Costs	320	63%	The number of care cases that have been instructed to issue proceedings continues to rise and result in a budget pressure. In addition, there are projected to be approximately 80-100 pre-proceedings cases which provide additional cost pressures.
Asylum Seekers	120	48%	Demand has significantly increased this financial year. This is directly linked to the impact of the national transfer scheme, and the need for additional staffing to manage demand. The Home Office grant received largely only covers the cost of accommodation and not social work costs.
Placements	-360	-2%	For 2016/17 the number of looked after children has increased from 469 in March to 502 at the end of September. Analysis of the type of placement and the financial position shows a reduction in children in residential care and a movement to lower cost provision. The average unit cost for children's placements has seen a reduction of 11% from the position in 2015/16.
Safeguarding Assurance	-150	-3%	Turnover of staff within the service, and unfilled posts for periods of time during financial year.
Education, Learning & Skills - 5 to 19 Learning	-140	-21%	Underspend due to: <ul style="list-style-type: none"> • Reduction in projects to schools from within the Leicestershire Education Excellence Partnership.

			<ul style="list-style-type: none"> Schools are performing better than previous summer terms, so less need for commissioned support from within the Education quality improvement budget.
Targeted Early Help	-135	-1%	Underspend due to staff turnover and managed vacancies.

Adults & Communities

The Department is forecasting a net underspend of £6.7m (4.9%). The main variances are:

	£000	% of Budget	
Residential & Nursing Care	1,900	4%	<p>An increase in expenditure on social care of £0.9m due to an increase in payments for additional needs, and some significant new care packages, though overall numbers in Service Users remains the same.</p> <p>Also Service user contributions are forecast to be £0.5m lower than budgeted and there is a reduction in Continuing Health Care (CHC) contributions of £0.5m due to reduced numbers of eligible service users.</p>
Home Care	-3,620	-12%	<p>Underspend due to predicted increases in demand not materialising and therefore growth built into the budget not being required.</p> <p>There has been a reduction in self-funding service users between April and September. This is offset by a corresponding loss of chargeable income.</p> <p>Help to Live at Home project - there have been a number of requests to transfer to a direct payment by service users who prefer to have their future support needs met by their current home care provider. So far this year, around 200 service users have taken this option with the possibility of a similar number following by the start of the new contracts in November. This has the effect of increasing the underspend even further, but will be offset by a corresponding increase in direct cash payment expenditure.</p>

Direct Cash Payments	-1,000	-4%	Underspending from 2015/16 is being maintained as the trend for the overall average payment continues to be lower than expected and there are clawbacks from unspent cash payment balances. The average one off payment is £370 and weekly payment is £230. The underspend has reduced by £1m after allocating some of the MTFs savings requirement for reduced cost and demand for social care
Supported Living	-755	-6%	Underspend achieved in 2015/16 following changes in responsibility rules relating to Ordinary Residence and other contracts is expected to be maintained with a small amount of growth in service users in 2016/17. The new framework contract is delayed and anticipated savings for 2016/17 (£250k) will not be achieved and is offset by some of these savings. The underspend has reduced by £1m after allocating some of the MTFs savings requirement for reduced cost and demand for social care.
Community Income	-550	2%	The department is expecting £1.3m additional Continuing Healthcare (CHC) income from health as there has been an increase in non-learning disability joint funded care packages. This has been partially offset by reductions in income from self funding service users (£400k) and the number of new service users to the department being less than originally anticipated (£300k). There are corresponding underspends within expenditure budgets to compensate for this loss of income.
Better Care Fund	-500	-3%	Additional contribution of £0.5m agreed from the Better Care Fund to fund the same levels of service on residential care and homecare to avoid the impact on the NHS.
CLC / Day Services	-425	-14%	Additional CHC income as result of revised in-house Community Life Choices (CLC) charges (£120k), plus staffing vacancies as part of wider restructuring (£270k). These are early delivery of MTFs savings.

Business Support -Staffing	-380	-21%	Vacant posts held pending outcome of the departmental Workforce Strategy review.
Reablement (HART)	-335	-4%	Vacant posts held pending outcome of the departmental Workforce Strategy review.
Aids, Adaptations and Assistive Technology	-260	-8%	An underspend from the Community Equipment joint arrangement with Leicester City Council based on latest demand information.
Supported Living, Residential and Short Breaks	-255	-7%	Additional CHC income as result of revised in-house charges.
PI Locality Teams	-240	-6%	£310k underspend on Employment Support Service which is now absorbed within Direct Cash Payments budget and staff vacancies pending the A & C workforce strategy review.
Compliance - Staffing	-180	-13%	Vacant posts held pending outcome of the departmental Workforce Strategy review.

Public Health

A net underspend of £50,000 is forecast. The main variance is:

	£000	% of Budget	
Local Area Co-ordination (LAC)	-80	-92%	A proposal to the Better Care Fund (BCF) to expand LAC across Leicestershire has been delayed while further evidence of Health outcomes is being collected. This results in lower BCF and Public Health Grant required in 2016/17 and a resulting underspend.

Environment and Transportation

At present the Department is forecast to underspend by £140,000 (0.2%). The main variances are:

	£000	% of Budget	
<u>Highways</u>			
Winter Maintenance	60	4%	Colder conditions in April resulted in additional gritting.
Street Lighting	-200	-6%	Underspend due to acceleration of the LED installation programme leading to earlier than anticipated energy savings
Environmental Maintenance	-175	5%	Underspend on drainage repairs due

			to lack of staff resources available to identify and evaluate jobs. Linked in part to the transition arrangements arising from the departmental restructure.
Reactive Maintenance (Structural & Safety)	-105	-7%	The joint sealing element of this programme is now being treated as capital expenditure and will be funded from the capital programme. Additionally there is a delay in issuing these works due to non-economical tender returns.
<u>Transportation</u>			
Special Education Needs Transport	570	7%	Increased pupil numbers coming through since February 2016 (97 new users or contract changes since February 2016 when growth was agreed). In addition to this the risk assessment process has identified individuals with more complex needs and therefore the average daily cost has also risen by over 10%.
Social Care Transport	240	7%	Cost pressures from 2015/16 continue as a result of increased demand.
Mainstream School Transport	-260	-5%	Underspend as a result of reduced demand (result of policy change), service reviews and increased charges.
Public Bus Services	-225	-8%	Savings made through tendering of the Park & Ride contract in February 2016.
<u>Environment & Waste</u>			
Treatment Contracts	95	1%	Overspend largely due to increased volumes of wood and extra street sweepings.
Recycling & Household Waste Sites	50	2%	Forecast includes £100k reduction in anticipated income from charging, due to delay in implementation of charging scheme until May, offset by lower tonnages handled (£50k).
Composting Contracts	-250	-13%	Underspend due to a combination of contract efficiencies and lower volumes of green waste.
Recycling & Reuse Credits	-100	-3%	Early indication is that tonnage growth is not evident at the originally expected levels and therefore budget will underspend.
Income	-70	6%	Additional trade waste income received over and above the MTFS position.

<u>Staffing & Administration</u>			
Highways & Transportation	355	8%	Overspend due to a delay in implementing a revised planning and charging regime and shortfall in fees recovered from the capital programme.
Environment & Waste	-120	-5%	Underspend due to vacancies.

Chief Executives

An underspend of around £440,000 (4.4%) is forecast. The main variances are:

	£000	% of Budget	
Coroners	120	14%	Overspend relates primarily to increased pressures on the Leicester City and South Leicestershire Coroner's Service run by Leicester City Council. Increased costs were identified at the end of 2015/16 relating to confirmation that the Coroner is entitled to a non-contributory pension and increasing investigations linked to the rising number of deprivation of liberty cases.
Democratic Services & Admin	-120	-6%	This underspend relates to a number of staff on career grades being on the lower part of their grades. There are also vacancies which are being recruited to, and a short term secondment creating a vacancy in the service which will not be recruited to.
Trading Standards	-115	-8%	Several vacancies currently exist within the service resulting in an underspend that is partially offset by use of agency staff. The service has also been able to attract £20k more funding from the National Trading Standards Board.
Planning, Historic & Natural Environment (HNET)	-90	-19%	Underspend mainly due to staff vacancies. Recruitment to some of these vacancies is currently taking place.
Strategy & Business Intelligence	-80	-2%	Underspend due to vacancies from staff turnover in the service.
Registration	-65	34%	Following on from 2015/16 where fee income was buoyant, it is forecast that this will continue into 2016/17.

Corporate Resources

An underspend of around £320,000 (0.9%) is forecast. The main variances are:

	£000	% of Budget	
Operational Property	130	6%	A combination of increased unoccupied properties (key sites including Melton KEVII, Heathfield High and Holliers Walk) and an in year shortfall against Supported Employment (delays to retirements). All savings have been identified for 2017/18 and alternatives are being considered in year.
Strategic Property	100	7%	Resources needed to fund additional feasibility and other costs for asset investments, £0.2m, offset by short term staff savings (recruitment delays for specialist property and valuation staff).
Customer Service Centre	95	5%	Forecast overspend due to increased demand, maternity cover and interim resources to backfill for training. A review and project has been set up to identify new savings.
People resources (HR, Health & Safety, L&D and Trade Union)	-270	-7%	A combination of L&D underspends (£0.2m) and staff savings in HR in anticipation of 2017/18 savings target.
Strategic Finance	-175	-6%	Vacancies held in anticipation of future year savings/ impending review. Work is being absorbed and prioritised accordingly.
Commercial Services	-130	-3%	The timing of the Leicestershire Traded Services Business Plan was later than the MTFS with targets set higher than budgets so most services (catering, school food, LEAMIS, forestry, Facilities Management and Beaumanor) are demonstrating more profit through a combination of increased sales and reduced costs.
Commissioning Support	-90	-14%	A delay in recruitment of vacancies has resulted in a short term underspend but also delays to actioning commissioning reviews and achieving savings.

CAPITAL PROGRAMME MONITORING STATEMENT (PERIOD 6)**APPENDIX 3**

Live schemes – Works have commenced or are in a position to start.

	Original Budget	Outturn adjustment and Changes in Funding	Updated Budget	Forecast	Updated Budget v Forecast Variance
	£m	£m	£m	£m	£m
Children & Family Services*	31.2	-2.3	28.9	28.4	-0.5
Adults and Communities	4.0	0.8	4.8	4.8	0
Public Health	0.3	0	0.3	0.3	0
E&T-Transportation	38.9	-0.3	38.6	39.7	1.1
E&T-Waste Management	0.3	0.1	0.4	0.4	0
Chief Executive's	4.7	-0.5	4.2	4.2	0
Corporate Resources	2.7	2.0	4.7	4.4	-0.3
Corporate Programme	8.8	2.2	11.0	11.3	0.3
Total	90.9	2	92.9	93.5	0.6

*Excludes Schools Devolved Formula Capital

Preparatory schemes – schemes identified and requiring regulatory or internal approval.

	Original Budget	Outturn adjustment and Changes in Funding	Updated Budget	Forecast	Updated Budget v Forecast Variance
	£m	£m	£m	£m	£m
E&T-Waste Management	0.4	0.3	0.7	0	-0.7
Corporate Programme	3.5	0	3.5	3.1	-0.4
Total	3.9	0.3	4.2	3.1	-1.1

Funding available – for schemes at ideas stage.

	Original Budget	Outturn adjustment and Changes in Funding	Updated Budget	Forecast	Updated Budget v Forecast Variance
	£m	£m	£m	£m	£m
Adults and Communities	0.1	0	0.1	0	-0.1
E&T-Transportation	1.9	1.2	3.1	3.1	0
Total	2.0	1.2	3.2	3.1	-0.1

Overall Summary

	Original Budget	Outturn adjustment and Changes in Funding	Updated Budget	Forecast	Updated Budget v Forecast Variance
	£m	£m	£m	£m	£m
Children & Family Services*	31.2	-2.3	28.9	28.4	-0.5
Adults and Communities	4.1	0.8	4.9	4.8	-0.1
Public Health	0.3	0	0.3	0.3	0
E&T-Transportation	40.8	0.9	41.7	42.8	1.1
E&T-Waste Management	0.7	0.4	1.1	0.4	-0.7
Chief Executive's	4.7	-0.5	4.2	4.2	0
Corporate Resources	2.7	2.0	4.7	4.4	-0.3
Corporate Programme	12.3	2.2	14.5	14.4	-0.1
Total	96.8	3.5	100.3	99.7	-0.6

*Excludes Schools Devolved Formula Capital

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Capital Budget – Updated budget and forecast main variances**Identified Variances**

The significant variances on schemes at period 6 are:

Department	Reasons	£000
C&FS – School Accommodation	Underspend forecast on Sileby Redlands Primary School £384k due to the reduced costs of external works. Also unallocated amount of £67k for Bulge Classes and Primary School Places plus other minor variances.	-508
A&C – Changing Places/Toilets	Two schemes are expected to be delivered - Hinckley Leisure Centre and Watermead Country Park. Further schemes are being scoped that will reduce the underspend further if they can be delivered in 16/17.	-129
A&C – Carlton Drive Respite Service	Works and fee costs are higher than the original budget. Build costs higher due to tree roots which required additional / specialist foundations.	50
E&T – A42 Junction 13	Slippage due to alignment of works with Highways England Maintenance scheme.	-1,100
E&T – Transport Asset Management Surface Dressing	Slippage due to - a week of no dressing as resources being directed to winter maintenance in April. - 1 week of no dressing due to flooding issues. - Fewer days of surface dressing due to unsuitable weather.	-950
E&T – LED Street Lighting (Invest to Save Scheme)	Acceleration of spend due to revised profile of works and additional installation gangs that have been contracted.	3,000
E&T – Loughborough Town Centre and Earl Shilton Bypass	Land compensation payments which are not budgeted for, after completion of schemes.	150
E&T – Waste – Coalville Transfer Station	The business case for Coalville Transfer Station is no longer viable and the funding will no longer be required.	-739
Corporate Resources – Demolition of Vacant Buildings	Underspend as potential purchasers will now be required to fund demolition works.	-172
Corporate Resources – Intranet Replacement	Overall project is expected to spend to budget but there are likely to be more revenue costs now than capital.	-118
Corporate Resources – Industrial Properties	The slippage relates to timeliness of delivery of projects - i.e. design, procurement, delivery - at the moment unable to physically deliver in the timescale for spending in this financial year due to other commitments, premises availability and lead times for the various elements.	-100

Department	Reasons	£000
Corporate Programme – Coalville Workspace	Delays obtaining planning permission.	-635
Corporate Programme – Countesthorpe, The Drive	Slippage pending a review of the scheme and alternative options.	-500
Corporate Programme – Energy Strategy	Acceleration as maintained and academy schools have found the scheme attractive.	761
Corporate Programme – North Kilworth, Walton Holt Farm	Agreed purchase fee higher than originally expected due to the attractiveness of the site and the number of other bidders.	263

Capital Programme – Changes in Funding

Changes in funding on the capital programme 2016/17:

Department	Reasons	£000
Outturn Adjustments	2015/16 Outturn adjustment: <ul style="list-style-type: none"> • C&FS - 5,463 • A&C – 676 • Public Health - -8 • E&T Transportation - -81 • E&T Waste Management - 473 • Chief Execs - 730 • Corporate Resources - 799 • Corporate Programme – 2,114 • E&T - slippage carried forward to 2017/18 (Zouch Bridge) -1,709 	
Sub Total (outturn changes)		8,457

Department	Reasons	£000
C&FS	School Accommodation – various Section 106 developer contributions to schemes	398
C&FS	Capital Maintenance Grant adjusted to reflect final allocation from DfE based on LA schools	-255
C&FS	DfE Basic Need Capital Grant carried forward to 2017/18: Following a detailed review of the deliverability of schemes within the programme: Reprogramming to 2017/18, £8.7m <ul style="list-style-type: none"> - Barwell Area, Primary Places - £1.0m - Earl Shilton, Townlands Primary School - £1.3m - Mkt Harb.Farndon Fields Primary School - £0.3m - Ibstock Junior School - £0.2m - Birstall, Hallam Fields Primary School -£1.4m - Wigston Area Special School - £1.5m - Structural Changes (10 + Retention) - £3.0m Reprogramming to 2016/17 (acceleration) £0.7m: <ul style="list-style-type: none"> - Sileby, Highgate - £0.5m - Thurnby, St. Lukes - £0.2m 	-8,045

Department	Reasons	£000
C&FS	School Accommodation – contribution from school	76
C&FS	School Accommodation – transfer from Energy Strategy budget	24
E&T - Transportation	Fleet Renewal (revenue funding c/fwd from 2015/16 – Cabinet 17 th June 2016)	1,000
E&T - Transportation	Maintenance (revenue funding c/fwd from 2015/16 – Cabinet 17 th June 2016)	747
E&T - Transportation	Road Safety (revenue funding c/fwd from 2015/16 – Cabinet 17 th June 2016)	200
E&T - Transportation	Pothole Grant funding 2016/17 – DfT	717
Chief Executives	Data Quality and Business Intelligence Technology Infrastructure – revenue contribution	100
Chief Executives	Loughborough University Science Enterprise Park (LUSEP) transferred to Corporate Programme	-1,275
Corporate Programme	Loughborough University Science Enterprise Park (LUSEP) transferred from Chief Executives	1,275
Corporate Programme	Energy Strategy – transfer of funds to C&FS Hinckley Parks Primary School	-24
Sub Total		-5,062
Overall Total		3,395

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SCRUTINY COMMISSION – 30 NOVEMBER 2016

REVIEW OF EARMARKED FUNDS AND BALANCES

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of Report

1. To report the findings of a detailed review of revenue earmarked funds and balances.

Policy Framework and Previous Decisions

2. The earmarked funds strategy was approved by the County Council at its budget meeting on 17 February 2016 as part of the Medium Term Financial Strategy (MTFS). The earmarked funds are reviewed three times during the financial year.

Background

3. The review covered all revenue earmarked funds and balances, excluding schools earmarked balances. The main elements were to:
 - a) review if earmarked funds were required and the appropriate level;
 - b) review the spending and contribution profiles for the main earmarked funds over the next four years;
 - c) review the appropriate level of the General County Fund;
 - d) reallocate balances as required.

Earmarked Funds

4. Earmarked funds are held in accordance with the County Council's Earmarked Funds Policy that is approved annually by the County Council as part of the MTFS – copy attached as Appendix A.
5. The level of earmarked funds excluding schools and partnerships was £75.4m as at 31 March 2016, see Appendix B for details. The opening balances have been reviewed and updated as part of the review of earmarked funds. These amendments are shown as transfers in Appendix B. The amendments are:

- A transfer from the Economic Development-Leics Local Enterprise Fund earmarked fund to the Economic Development – General earmarked fund (£0.8m); see paragraph 35.
 - A transfer from the Environmental/Energy Efficiency fund to the Capital Financing fund (£0.2m); included in the capital programme.
 - Transfers of elements of earmarked funds for Community Grants which are no longer required for their original purposes to the Transformation Fund (£0.1m).
6. Following the review of earmarked funds, the updated list of earmarked funds and forecast of balances for the next four years are detailed in Appendix C.
7. The following paragraphs consider each earmarked fund in detail and show a projection of the balances at 31st March 2017.

Renewals of Equipment and Vehicles (£4.2m)

8. Departments hold earmarked funds to provide funds for the future replacement of equipment and vehicles.
9. The earmarked funds are;
- Children and Family Services (£1.6m). This earmarked fund is held to respond to the need to develop, improve and where necessary replace departmental management information systems such as Capita One and Frameworki.
 - Adults and Communities (£0.7m). This provides funding for the future replacement of equipment, vehicles and departmental IT systems.
 - Environment and Transport (£0.5m). This fund is used to supplement other resources used for the replacement of vehicles and equipment, both those used for Highway Maintenance activity and also those used within the Passenger Fleet team for School and Social Care Transport.
 - Corporate Resources (£1.4m). Funding set aside for the County Council's ICT infrastructure and to save for future planned upgrades

Trading Accounts (£0.8m)

10. Surpluses from the Industrial Properties trading account are transferred to an earmarked fund to provide funds for future capital investment, large maintenance items and to smooth volatility in revenue performance.

Insurance (£19.3m)

11. Earmarked funds of £11.5m are held to meet the estimated cost of the insurance policy excesses that the Council is liable for. This is for historic incidents that have

not yet been reported to the Council and an amount to allow excesses of large property claims to be met. This enables the Council to meet excesses regardless of the timing of claims, which can be erratic. The levels are assessed periodically through an Actuarial Review. Excesses include:

- Property damage (including fire) £500,000
 - Public / Employers' liability £250,000
 - Professional indemnity £25,000
 - Fidelity guarantee £100,000
 - Money – completely self-insured
12. Schools schemes and risk management (£0.4m). The County Council arranges contents insurance for schools with an excess of £50,000. To protect schools from large losses the County Council retains a proportion of the saved premiums to pay claims that are above the level of excess that a school would normally expect (£200) up to the insured level (£50,000). A balance is built up in low claim years to allow the cost of high claim years to be met. Similarly a claims contingency is held for the Human Resources advisory scheme, operated by the County Council, for schools, in case of employment disputes resulting in a tribunal. The fund is also used to fund risk management initiatives to try and reduce claims in future years.
13. The uninsured loss fund of £7.4m is required mainly to meet potential liabilities arising from Municipal Mutual Insurance Ltd (MMI) that is subject to a run-off of claims following liquidation in 1992. The fund also covers the period before the Council purchased insurance cover and the period (1993-97) that the Council was insured with Independent Insurance, who have entered provisional liquidation.
14. The MMI run-off is regulated by a scheme of arrangement (the scheme) entered into by the creditors of MMI. The scheme provides for a clawback against the creditors in the event that the assets of MMI at the time of liquidation prove insufficient to meet its liabilities. MMI's accounts continue to show a worsening position due to the estimated costs of future mesothelioma and abuse claims, calculated by MMI's actuaries. As a result the County Council was requested by the scheme administrator to pay a levy payment of £1.6m in early 2016. The position of MMI and other failed insurers is kept under review.

Committed Balances (£0.3m)

15. Two earmarked funds are used as a mechanism to carry forward resources where expenditure has been committed to projects but the expenditure has not been incurred in that financial year. The two earmarked funds are the Central Maintenance Fund (CMF), £0.1m and the earmarked fund for community grants, £0.2m.

Children and Family Services

16. Supporting Leicestershire Families (£1.7m). This earmarked fund is used to fund the Supporting Leicestershire's Families service which is providing early help and intervention services for vulnerable families across Leicestershire.

17. Children and Family Services Developments (£2.3m). This general earmarked fund provides funding for a number of projects within the department such as improving management information, information access and retention and responding to changing requirements as a result of OfSTED and legislation.
18. Youth Offending Service (£0.3m). This earmarked fund is used to fund the Youth Offending Service.
19. Special Educational Needs Disability (SEND) (£0.4m). Local authorities have received grant for the implementation of a national redesign of services for children with special educational needs and disabilities. Changes in national expectations and recruitment difficulties have resulted in some elements of implementation being re profiled.
20. School Based Planning (£0.7m). Funding set aside to fund the development of a school place planning strategy to support significantly increased capital funding in 2016-19.

Adults and Communities

21. Adults and Communities Developments (£3.0m). This earmarked fund is held to fund a number of investments in maintaining social care service levels and assisting the department in achieving its transformation.
22. Museums and Arts (£0.0m). This earmarked fund represented the income received from the sale of artefacts. The fund is being used to maintain the quality of existing collections and is expected to be fully utilised in 2016/17.
23. Adults and Communities Extra Care (£0.6m). This earmarked fund was created from elements of the New Homes Bonus grant that were ring fenced by the Cabinet for Extra Care schemes. There is a scheme currently in development in Charnwood (£0.3m).

Public Health

24. Public Health (£1.6m). The NHS grant for Public Health was above the level of historic expenditure, recognising the historic underfunding in Leicestershire. This will be used for preventative and other Public Health beneficial activities.

Environment and Transport

25. Commuted sums (£2.0m). This is used to cover future revenue costs arising from developer schemes, where the specifications are over and above standard developments (e.g. block paving, bollards or trees adjacent to the highway). These liabilities can arise many years after the funding is received and therefore the balance on this earmarked fund has built up over time. The intention is to utilise the resources over the next few years (£0.4m per year) to help mitigate against the impact of the overall reductions in resources available for highways maintenance,

although it is likely that additional amounts (on average £0.2m to £0.3m per year although it does vary) will be received which will increase the fund balance over this period.

26. Civil Parking Enforcement (£0.1m). This is a small earmarked fund that is held on behalf of the District and County Partnership which is responsible for the enforcement of on and off street parking in Leicestershire. It will be utilised for equipment and technology replacement in future years.
27. Waste Infrastructure (£1.4m). This will be utilised to fund the ongoing capital expenditure required to maintain the Recycling and Household Waste Sites (RHWS) in future years.
28. Section 38 Income (£0.4m). This is income received from Housing Developers paid in advance and used to cover County Council costs for design checking, on site inspection of works during construction and administration of the process to ensure newly built estate roads are to the required standard for adoption. The signing of the final certificate to agree new roads are at the required level should be carried out within a 4-year period. Section 38 income is paid into the earmarked fund and brought into the accounts to offset the costs in the year in which they are incurred. The majority of the current fund balance will be utilised over the next four years. However, it should be noted that additional funding may become due and be received over this period which would increase the balance on this fund.
29. Section 106 Income (£0.2m). Funding received to meet developer-related revenue expenditure (such as subsidised bus services and travel packs linked to new developments) and where there are no specific conditions for the funding to be repaid. The majority of the current fund balance will be utilised over the next four years. However, it should be noted that additional funding may become due and be received over this period which would increase the balance on this fund.
30. Leicester and Leicestershire Integrated Transport Model (LLITM) (£1.1m). This earmarked fund is for money generated from charging other local authorities for using the model. Surplus income is added into the fund and will be used to finance activity to refresh the model when required in around 3 years' time. Updating the LLITM is important to ensure it accurately predicts the impact of future prospective developments and supports potential bids for future major schemes.
31. Capital Major Projects - advanced design (£0.4m). This earmarked fund will be used to fund feasibility studies and advance design works to enable bids to be made for major capital schemes to improve the transport infrastructure supporting expected growth in Leicestershire.
32. Other earmarked funds (£0.1m). These funds will be used for partnership transport projects.

Chief Executive's

33. Community Planning (£0.1m). This funding is held to support a range of various initiatives with partners and communities.
34. Economic Development (£1.3m). This earmarked fund is held to provide funding for economic development initiatives.
35. Leicestershire Local Enterprise Fund (£0.2m). This earmarked fund was established to provide funding for a business loan scheme. This scheme has now achieved its short term objective to help ensure that Leicestershire businesses have access to loan funding. As a result the County Council has commenced disinvestment from the scheme. A total of £0.8m has been released from the fund and added to the Economic Development fund for priority schemes linked to economic development in Leicestershire.
36. Legal (£0.3m). This earmarked fund is held to provide funding for temporary solicitor posts to cope with current and transformation demand.
37. Signposting and Community Support Service (£0.5m). This fund is held to mitigate the impact of the withdrawal of Government funding for the Leicestershire Welfare Provision. The funding was provided from underspends in the scheme's two years of operation (2013/14 and 2014/15) and is used to temporarily support signposting and community support for vulnerable people, with the aim of minimising the on-going costs of this service over the next four years.
38. Other (£0.6m). This earmarked fund holds funding towards a variety of projects and contingencies. The projects are phased over several years and include: efficiency projects, planning control work, and funding received from (and ring fenced to) crime fighting and prevention.

Corporate Resources

39. Corporate Resources Other (£0.5m). The main purpose of this earmarked fund is to provide funding to efficiency projects and one off initiatives in Corporate Resources. Examples of activities funded are investigating asset management changes/improvements and ICT development work.

Corporate

40. Transformation (£19.3m). The fund is used to invest in transformation projects to achieve efficiency savings and also to fund severance costs. To achieve the level of savings required within the MTFs the Council needs to change significantly and this requires major investment including in some of the core 'building blocks' of transformation such as improvements to data quality and improvements to digital services enabling more self-service.
41. Capital Financing (£27.7m). This fund is used to hold MTFs revenue contributions to fund capital expenditure including the Street Lighting LED replacement project and the Corporate Asset Investment Fund where funding is required in future years. The significant increase in 2016/17 relates to planned contributions from the

2016/17 forecast underspend at Period 6, approved by Cabinet in October 2016 for investment in the Corporate Asset Investment Fund, energy strategy and highways maintenance that will be required in 2017/18 and later years as per the draft four year capital programme.

42. East Midlands Shared Services (£0.4m). County Council funding set aside for investment in Oracle development projects to support the shared service.
43. Environmental / Energy Efficiency programme (£0.0m). This funding has been set aside to support various invest to save projects to reduce carbon emissions and generate future revenue savings. The programme has been superseded with the Energy Strategy programme included in the Capital Programme.
44. Elections (£0.8m). The average cost of County Council elections is estimated to be £0.8m every four years, unless there are other elections on the same date that can share the cost. The earmarked fund is built between elections using budgeted annual contributions of £0.2m.
45. Broadband (£6.0m). This fund was established to allow the development of super-fast broadband within Leicestershire. A contract has been entered into with BT for phase 2 of the programme. There is a significant time lag in spending County Council funds due to grant conditions that required Central Government and other funding contributions to be spent within a set period. The funding is expected to be spent in 2017/18 and 2018/19.
46. Loughborough University Science and Enterprise Park (£1.1m). This fund is held for investment in partnership with Loughborough University towards the next phase of development on the Science and Enterprise Park campus.
47. Business Rates Retention (£1.4m). This fund was established following the introduction of the Business Rates Retention system in 2013 and is held as a contingency to fund potential shortfalls in business rates income impacting in later years, especially the risk of large appeals and fluctuations in Business Rates income.
48. Local Authority Mortgage Scheme (LAMS) (£-8.4m). The County Council has invested £8.4m in the Local Authority Mortgage Scheme to make it easier for first time house buyers to obtain mortgages and thus stimulate the local housing market and benefit the wider local economy. Investment of £3m in 2013/14 and £5.4m in 2012/13 has been advanced to Lloyds bank, temporarily funded from the overall balance of earmarked funds. The funding will be returned to the County Council, 5 years after the date it was advanced, in 2017/18 and 2018/19.
49. Pooled Property Fund(s) (-£25m). The Cabinet on 11 September 2015 and 11 October 2016 approved the investment of £15m and £10m respectively of the Council's earmarked funds into pooled property funds. These investments will raise interest receivable by a significant amount, in effect replacing £25m earning 0.25% with £25m earning around 4%. The investment is funded from the overall balance of earmarked funds and can be realised in the future when required.

50. Inquiry and other costs (£2m). This fund is held to provide funding for inquiry and other costs associated with historical child sexual exploitation.

Other

51. Potential Health transfers (£3m) – Estimate of year end transfers to the County Council.

Schools / Partnerships Earmarked Funds

52. Dedicated Schools Grant (£1.7m). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations. Any underspend on services funded by DSG must be carried forward and ring fenced to those services. This fund is earmarked to fund any deficit budget that reverts back to the local authority as maintained schools move into sponsored academy arrangements and also to meet the revenue costs of commissioning places in new schools. A forecast overspend on the Schools revenue budget in the current year is reflected in the reduction as at 31st March 2017. The fund will also need to absorb the pressures around the delay of the national school funding reform, and the ability to fund future school growth.
53. Children and Family Services Health Outcomes (£0.0m). Funding received from the NHS at year end in relation to health transfers. Grant funding is received from the NHS which can be substituted with existing County Council expenditure thereby creating underspends that have been transferred to the earmarked fund. The fund is forecast to be fully used in 2016/17.
54. Health and Social Care (£2.5m). This earmarked fund is used to fund projects that improve health and social care outcomes in Leicestershire, including the prevention of admission and readmission into hospital as well as the prevention of other costly health and social care provision. Funding for these projects has been aligned with the strategic objectives of the Better Care Fund (BCF) and has been agreed between the County Council and partners from the NHS. Approximately £1m of the fund has been set aside as a contingency for underperformance against future pay for performance BCF metrics.
55. Leicestershire and Rutland Sport (£0.7m). The earmarked fund's main purpose is to hold partner contributions until expenditure on the agreed activities has been incurred. A significant part of the services funding from external agencies is uncertain in nature, so the earmarked fund also allows management of funding variations and a redundancy provision.
56. Centre of Excellence (£0.9m). The Centre of Excellence for Information Sharing is a local-national collaboration, funded by multiple government departments. It is hosted by Leicestershire County Council, and has a team of people from across national and local organisations. The organisation's vision is for users of public services to achieve better outcomes as a direct result of improved information

sharing between agencies and local places. The earmarked fund is held on behalf of the Centre of Excellence to fund ongoing work.

57. Leicestershire Social Care Development Group (LSCDG) (£0.4m). This earmarked fund is held on behalf of the LSCDG, a partnership with Leicester City Council. Funds are held on behalf of the partnership to meet the Director of Adults and Communities responsibility for workforce development in social care regardless of the sector. The monies are solely for the independent and voluntary sector across Leicester and Leicestershire.
58. East Midlands Shared Services – Other (£0.5m). This relates to the County Council's share of the 2015/16 underspend on the joint committee (EMSS). The fund is held for investment in future EMSS developments and will be directed by the joint committee.

Other Issues

59. There are real advantages to the County Council of having a strong balance sheet in a period of economic crisis. These are obvious, such as a greater ability to weather financial shocks, but there are also advantages such as the ability to use this strength to implement policy decisions such as LAMS and the Leicestershire Local Enterprise Fund that offset, to an extent, the impact of the failure of banks to provide finance.
60. The overall level of earmarked funds includes significant balances for capital financing (£27.7m forecast at the end of 2016/17) which are required to fund the County Council's Capital Strategy. These resources have been set aside from revenue underspends, surplus earmarked funds and the current MTFS, to avoid the need to undertake external borrowing.
61. Members requested details regarding earmarked funds where the latest projections varied significantly from the previous forecast. Appendix D gives details of earmarked funds where forecasts as at 31st March 2017 have varied by more than £0.5m.

Schools Earmarked Balances

62. Schools and colleges are allowed to retain their accumulated balances in relation to delegated budgets. Schools balances have increased from £7.6m in 2014/15 to £11.8m at the end of 2015/16, mainly as a result of the prudent use of resources and underspend of budgets. The largest balances held are to smooth out cost increases and particularly staffing costs, for land and building works and ICT investments.

General County Fund

63. The General County Fund is held to meet any unexpected risks. The balance on the General County Fund was £14.8m as at 31st March 2016 and is expected to remain at £14.8m in 2016/17.

64. The policy on the General County Fund has been to maintain balances in line with the inherent risks faced by the County Council. The required level of earmarked funds is kept under review during the year and a more formal assessment is undertaken at the time the Medium Term Financial Strategy (MTFS) is rolled forward. The policy will be to continue to maintain a level of the General County Fund consistent with the overall financial environment. The level of the General County Fund is currently within the target range of 4 to 5% of net expenditure (excluding schools), the balance of £14.8m represents 4.3% of net expenditure for 2016/17.

Risk Assessment

65. As part of the earmarked funds review, the risk assessment was revisited given the rapidly changing financial environment. This shows that the risks faced by the County Council are increasing. The key risks are set out below;
- Public finances continue to deteriorate with the prospect of further cuts in funding into the next decade, which will increase the County Council's savings requirement.
 - The localisation of business rates and changes to Council Tax Benefit mean that the income of the Council will be less predictable and potentially subject to in year shocks.
 - Environment including extreme weather.
 - Service pressures resulting in overspends. Although overall the Council is underspending, pressures within Adults and Children's social care are increasing. National funding changes could exacerbate these pressures.
 - Potential cuts to grant funding for Public Health.
 - Funding the introduction of the National Living Wage.
 - Increase in demand for SEN transport.
 - Potential steep rises in general inflation and in specific areas such as energy.
66. The current MTFS includes a contingency in the budget of £8m over the four years of the MTFS. This needs to be considered alongside the General County Fund in relation to the risks faced by the County Council.

External Audit Review

67. KPMG, our external auditors have reviewed the level of reserves as part of their Value for Money review of the 2016-20 MTFS and reported that given the uncertainties and service pressures that lie ahead the overall level of earmarked funds held are appropriate for the size of the organisation.

Management and Monitoring of Earmarked Funds

68. At present, information on earmarked funds is provided in the following reports;

- February – MTFS reports to the Cabinet and County Council. These reports contain the earmarked funds policy, forecast levels of funds and statement on the robustness of estimates, risks and funds.
- June/July – MTFS Provisional Outturn report to the Cabinet and Scrutiny Commission. These reports contain the key movements and the actual year end balances.
- September – Statement of Accounts report to Constitution Committee. This report sets out the earmarked funds in detail and includes a commentary and a statement showing all the transfers to and from the earmarked funds.
- Autumn review of earmarked funds to the Cabinet and Scrutiny Commission.

Conclusion

69. The review of earmarked funds has identified that the level of earmarked funds (excluding Dedicated Schools Grant and partnerships) is expected to be around £72.5m by the end of 2016/17.

Background Papers

None.

Circulation under Local Issues Alert Procedure

None.

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List of Appendices

Appendix A – Earmarked Funds Policy
Appendix B – Earmarked Funds Restated
Appendix C – Earmarked Funds Projection

Appendix D – Earmarked Funds where balance projected at 31/3/17 has varied by more than £0.5m

Equality and Human Rights Implications

There are no direct implications arising from this report.

EARMARKED FUNDS POLICY 2016/17**General County Fund**

The level of the General County Fund will be consistent with the overall financial environment and the key financial risks faced by the County Council. This risk assessment will be carried out at least annually and will take account of circumstances at the time and the corporate risk register. Any funds in excess of the assessed amount will in the first instance be used to fund one off/time limited expenditure (capital and revenue including invest to save and pump priming initiatives) and secondly to support recurring revenue expenditure over the medium term, subject to the key consideration of sustainability.

The benefit of holding non earmarked funds is that the County Council can manage unforeseen financial events without the need to make immediate offsetting savings, with the potential real impact this could have on users of County Council services.

Based on an assessment of risk, the target level for the county fund is within the range of 4% to 5% of net expenditure (excluding schools). The forecast balance of £14.8m (4.3%) is also within that range. In reviewing the level of the County Fund and contributions to and from the fund, the Cabinet will take the advice of the Director of Corporate Resources.

Earmarked Funds

Earmarked funds are held for six main reasons. The key factors that determine their level are set out below:-

- Insurance fund – to meet the estimate of future claims to enable the Council to meet the excesses not covered by insurance.
- Renewals – to enable services to plan and finance an effective programme of vehicle and equipment replacement. These earmarked funds are a mechanism to smooth expenditure on asset replacement so that a sensible replacement programme can be achieved without the need to vary budgets. It should be noted that those Departments which do not currently hold renewals funds will be encouraged to do so.
- Carry forward of underspend - some services commit expenditure to projects, but cannot spend the budget in year. Earmarked funds are used as a mechanism to carry forward these resources. An example of this type of fund is the Central Maintenance Fund.
- Trading accounts - in some instances surpluses are retained by the traded service for future investment.
- Other earmarked funds will be set up from time to time to meet known or predicted liabilities or to meet capital or project based revenue expenditure.
- To support transformational change and internal restructuring.

The main benefits of holding these earmarked funds are set out above.

The Chief Financial Officer has the authority to take decisions relating to the insurance and other earmarked funds. In terms of other earmarked funds they can only be established and managed with the agreement of the Chief Financial Officer.

The renewals earmarked funds and those relating to the carry forward of underspends will be managed and operated by departments. However, they can only be established with the approval of the Chief Financial Officer or the Executive, as set out in the Constitution.

Schools Earmarked Funds

Schools balances are held for two main reasons. Firstly, as a contingency against financial risks and secondly, to save to meet planned commitments in future years.

Monitoring Policy

The level of earmarked funds and balances are monitored regularly throughout the year. Reports will be taken to members as part of the MTFs, an update in the autumn and at year end.

EARMARKED FUNDS - RESTATED BALANCES

	Actual Balance 31/03/16 £000	Transfers from Funds 01/04/16 £000	Transfers to Funds 01/04/16 £000	Not Required 01/04/16 £000	Revised Balance 01/04/16 £000
Renewal of Equipment and Vehicles					
Children & Family Services	1,780	0	0	0	1,780
Adults & Communities	710	0	0	0	710
Environment & Transport	440	0	0	0	440
Corporate Resources	1,400	0	0	0	1,400
Trading Accounts					
Industrial Properties	1,180	0	0	0	1,180
Insurance					
General	11,460	0	0	0	11,460
Schools schemes and risk management	420	0	0	0	420
Uninsured loss fund	7,400	0	0	0	7,400
Committed Balances					
Central Maintenance Fund	80	0	0	0	80
Community Grants	450	0	0	-130	320
Other					
Children & Family Services					
Supporting Leicestershire Families	2,260	0	0	0	2,260
C&FS Developments	2,770	0	0	0	2,770
Youth Offending	360	0	0	0	360
Special Educational Needs Disability (SEND)	900	0	0	0	900
School Based Planning	330	0	0	0	330
Adults & Communities					
Adults & Communities Developments	6,890	0	0	0	6,890
Museums & Arts	40	0	0	0	40
A&C Extra Care	610	0	0	0	610
Public Health	1,820	0	0	0	1,820
Environment & Transport					
Commuted Sums	2,300	0	0	0	2,300
Civil Parking Enforcement	100	0	0	0	100
Waste Infrastructure	1,510	0	0	0	1,510
Section 38 Income	490	0	0	0	490
Section 106	360	0	0	0	360
Leicester & Leicestershire Integrated Transport Model (LLITM)	820	0	0	0	820
Capital Major Projects - advanced design	600	0	0	0	600
Other	140	0	0	0	140
Chief Executive					
Community Planning	200	0	0	0	200
Economic Development-General	1,090	0	800	0	1,890
Economic Develop.-Leics Local Enterprise Fund	1,000	-800	0	0	200
Legal	310	0	0	0	310
Signposting and Community Support Service	770	0	0	0	770
Other	670	0	0	0	670
Corporate Resources					
Corporate Resources Other	690	0	0	0	690
Corporate:					
Transformation Fund	16,470	0	0	130	16,600
Capital Financing (phasing of capital expenditure)	20,080	0	150	0	20,230
East Midlands Shared Services	430	0	0	0	430
Environmental/Energy Efficiency Programme	150	-150	0	0	0
Elections	630	0	0	0	630
Broadband	6,110	0	0	0	6,110
Loughborough University Science & Enterprise Park	1,200	0	0	0	1,200
Business Rates Retention	1,410	0	0	0	1,410
Local Authority Mortgage Scheme (LAMS)*	-8,400	0	0	0	-8,400
Pooled Property Fund investment (Cabinet 11/9/15 £15m and Cabinet 11/10/16 £10m)**	-15,000	0	0	0	-15,000
TOTAL	75,430	-950	950	0	75,430
Potential Health Transfers	0	0	0	0	0
TOTAL	75,430	-950	950	0	75,430
Schools and Partnerships					
Dedicated Schools Grant	5,320	0	0	0	5,320
C&FS Health Outcomes	1,640	0	0	0	1,640
Health & Social Care Outcomes	5,080	0	0	0	5,080
Leicestershire Safeguarding Children Board	170	0	0	0	170
Leicestershire & Rutland Sport	960	0	0	0	960
Centre of Excellence	850	0	0	0	850
Leics Social Care Development Group	420	0	0	0	420
East Midlands Shared Services - other	690	0	0	0	690
Total	15,130	0	0	0	15,130

* LAMS temporarily advanced from the overall balance of earmarked funds pending repayments in 2017/18 and 2018/19

** Pooled Property Fund investments - funded from the overall balance of earmarked funds

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EARMARKED FUND BALANCES

	Revised Balance 01/04/16 £000	Forecast Balance 31/03/17 £000	Forecast Balance 31/03/18 £000	Forecast Balance 31/03/19 £000	Forecast Balance 31/03/20 £000	Forecast Balance 31/03/21 £000
Renewal of Equipment and Vehicles						
Children & Family Services	1,780	1,590	1,400	1,250	1,100	1,000
Adults & Communities	710	710	710	710	710	710
Environment & Transport	440	480	0	0	0	0
Corporate Resources	1,400	1,450	1,500	1,550	1,600	1,650
Trading Accounts						
Industrial Properties	1,180	780	530	280	30	0
Insurance						
General	11,460	11,460	11,460	11,460	11,460	11,460
Schools schemes and risk management	420	420	420	420	420	420
Uninsured loss fund	7,400	7,400	7,400	7,400	7,400	7,400
Committed Balances						
Central Maintenance Fund	80	80	80	80	80	80
Community Grants	330	200	140	90	40	40
Other						
Children & Family Services						
Supporting Leicestershire Families	2,260	1,740	1,210	690	160	0
C&FS Developments	2,770	2,260	2,060	2,060	2,060	2,060
Youth Offending Service	360	270	10	0	0	0
Special Educational Needs Disability (SEND)	900	410	170	0	0	0
School Based Planning	330	690	540	40	40	40
Adults & Communities						
Adults & Communities Developments	6,890	2,970	1,970	1,970	1,970	1,970
Museums & Arts	40	0	0	0	0	0
A&C Extra Care	610	610	350	350	350	350
Public Health	1,820	1,620	1,220	1,220	1,220	1,220
Environment & Transport						
Commuted Sums	2,300	2,030	1,730	1,430	1,130	830
Civil Parking Enforcement	100	80	50	20	0	0
Waste Infrastructure	1,510	1,360	760	160	0	0
Section 38 Income	490	390	290	190	90	90
Section 106	360	210	160	110	60	10
Leicester & Leicestershire Integrated Transport Model (LLITM)	820	1,120	1,420	1,720	2,220	1,420
Capital Major Projects - advanced design	600	350	0	0	0	0
Other	140	130	70	60	50	40
Chief Executive						
Community Planning	200	60	40	20	0	0
Economic Development-General	1,890	1,300	1,250	1,230	1,210	1,230
Economic Develop.-Leics Local Enterprise Fund	200	200	120	60	20	0
Legal	310	310	250	210	170	130
Signposting and Community Support Service	770	520	320	120	0	0
Other	670	640	500	400	300	200
Corporate Resources						
Corporate Resources Other	690	490	290	90	90	90
Corporate:						
Transformation Fund	16,590	19,250	13,250	9,150	5,450	0
Capital Financing (phasing of capital expenditure)	20,230	27,670	21,390	9,240	3,710	0
East Midlands Shared Services - IT development	430	430	430	430	430	430
Elections	630	830	230	430	630	830
Broadband	6,110	5,970	3,330	0	0	0
Loughborough University Science & Enterprise Park	1,200	1,050	530	0	0	0
Business Rates Retention	1,410	1,410	1,410	1,410	1,410	1,410
Local Authority Mortgage Scheme (LAMS)*	-8,400	-8,400	-5,400	0	0	0
Pooled Property Fund investment (Cabinet 11/9/15 £15m and Cabinet 11/10/16 £10m)**	-15,000	-25,000	-25,000	-25,000	-25,000	-25,000
Inquiry and other costs	0	2,000	2,000	2,000	2,000	2,000
TOTAL	75,430	69,540	50,590	33,050	22,610	12,110
Potential Health Transfers	0	3,000	3,000	3,000	3,000	3,000
TOTAL	75,430	72,540	53,590	36,050	25,610	15,110
Schools and Partnerships						
Dedicated Schools Grant	5,320	1,690	190	0	0	0
C&FS Health Outcomes	1,640	0	0	0	0	0
Health & Social Care Outcomes	5,080	2,530	2,530	2,530	2,530	2,530
Leicestershire Safeguarding Children Board	170	0	0	0	0	0
Leicestershire & Rutland Sport	960	680	550	420	290	290
Centre of Excellence	850	850	500	0	0	0
Leics Social Care Development Group	420	420	420	420	420	420
East Midlands Shared Services - other	690	490	490	290	90	0
Total	15,130	6,660	4,680	3,660	3,330	3,240

* LAMS temporarily advanced from the overall balance of earmarked funds pending repayments in 2017/18 and 2018/19

** Pooled Property Fund investments - funded from the overall balance of earmarked funds

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VARIANCES BETWEEN 2016 MTFS FORECAST AT 31/3/17 AND THE LATEST FORECAST

	MTFS 2016 Forecast 31/03/2017 £000	Forecast Balance 31/03/17 £000	Variance £000	
Committed Balances				
Central Maintenance Fund	1,010	80	-930	Increased expenditure in 2015/16 and change to accruals accounting for work completed and not paid as at year end
Other				
Children & Family Services				
CFS Developments	2,850	2,260	-590	Change in assumptions regarding funding of certain workstreams/projects that were completed earlier than planned
School Based Planning	0	690	690	Additional growth in 2016/17 which has been put into earmarked fund
Environment & Transport				
Waste Infrastructure	0	1,360	1,360	Mainly relates to slippage on the 2015/16 capital programme linked to delays to the Coalville Transfer Station
Leicester & Leicestershire Integrated transport Model (LLITM)	0	1,120	1,120	Additional contributions from local authorities to be received during 2016/17 for modelling required in those areas over later years.
Chief Executive				
Economic Develop.-Leics Local Enterprise Fund	1,000	200	-800	Decision was taken to disinvest in LLEF and reallocate funding to other Economic Development activities. There is an equivalent variation on the Economic Development-General fund as explained in the report
Corporate				
Transformation Fund	13,000	19,250	6,250	£5m from 15/16 carry forward and £3.6m from 2016/17 MTFS forecast underspend at Period 6, and timing of project spend
Capital Financing/LED Project (phasing of capital expenditure)	17,200	27,670	10,470	Revised profile due to £12m added to the Fund from the 2016/17 forecast underspend at Period 6, to be spent in 2017/18 and later years
Broadband	2,270	5,970	3,700	Variance due to an underspend on Phase 1 of planned work and additional grant funding received from the Local Growth Fund.
Pooled Property Fund investment (Cabinet 11/9/15 £15m and Cabinet 11/10/16 £10m)	-15,000	-25,000	-10,000	Decision taken by Cabinet on 11th October 2016, after the MTFS 2016 forecast was made.
Inquiry and other costs	0	2,000	2,000	New earmarked fund established from 2015/16 underspend
Schools and Partnerships				
Dedicated Schools Grant	5,510	1,690	-3,820	As result of the high needs overspend position.

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