



CABINET - 22ND MAY 2018

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

2017/18 PROVISIONAL REVENUE AND CAPITAL OUTTURN

PART A

Purpose of the Report

1. The purpose of this report is to set out the provisional revenue and capital outturn for 2017/18 and seek the Cabinet's approval for additional commitments and revisions to the 2018/19 revenue budget.

Recommendations

2. It is recommended that:-
 - (a) The 2017/18 provisional revenue and capital outturn be noted;
 - (b) The additional commitments as set out in paragraph 52 of the report be approved;
 - (c) An additional investment of £5m for highways maintenance, funded from returns generated by the Corporate Asset Investment Fund, as detailed in paragraph 57 of the report, be approved;
 - (d) The expected increase in 2018/19 business rates income of £1.2m be allocated to the future developments fund, as detailed in paragraph 59 of the report;
 - (e) The prudential indicators for 2017/18 as shown in Appendix E be noted.

Reasons for Recommendations

3. To inform the Cabinet of the provisional revenue and capital outturn for 2017/18, to set aside funding for additional commitments, to approve carry forwards into later years and to make revisions to the 2018/19 revenue budget.

Timetable for Decisions (including Scrutiny)

4. A report on the provisional revenue and capital outturn will be considered by the Scrutiny Commission on 6th June 2018.

Policy Framework and Previous Decisions

5. The County Council approved the 2017/18 to 2020/21 Medium Term Financial Strategy (MTFS) in February 2017. The key aim of the Strategy is to ensure that the Authority has appropriate resources in place to fund key service demands over the next few years. The Strategy includes the establishment of earmarked funds and the allocation of ongoing revenue budget and capital resources for key priorities.
6. The Standard Financial Instructions stipulate that the Executive (the Cabinet) may authorise the carry forward of under or over spending; these may also be agreed by the Chief Financial Officer.

Resource Implications

Revenue Outturn

7. A summary of the revenue outturn for 2017/18, excluding schools grant, is set out below:

	£000
Updated budget	350,400
Less provisional outturn	-340,813
Add additional income	1,008
Less additional commitments	-10,281
Net underspending	314
Carry forwards	
Approved	-314
Cabinet approval required	0
Net position	0

8. Overall there has been a net underspending of £0.3m after additional commitments, which is offset by carry forwards.
9. The Authority has made significant progress in achieving the savings in the MTFS, but there is still a long way to go. The underspend to a large extent reflects the early achievement of efficiency savings. Price and service demand pressures have been largely contained in the year. Inflation and demographic pressures mean that this position will not be maintained beyond the short term. In the MTFS for the period 2018/19 to 2021/22 the savings requirement totals £50m, of which £13m still needs to be identified.
10. The uncommitted General Fund balance as at 31st March 2018 stands at £14.8m, which represents 4.1% of the 2018/19 revenue budget, in line with the County Council's policy. The Fund will be reviewed again during 2018 taking into account the risks faced by the County Council.

Capital Outturn

11. A summary of the capital outturn for 2017/18, excluding schools devolved formula capital, is set out below:

	£000
Updated budget	93,773
Less provisional outturn	92,876
Net Underspending (slippage)	897
Percentage spend to updated budget	99.0%

12. Overall there has been a net underspending of £0.9m compared with the updated budget. More detail is given in Part B of this report. The net underspending will be carried forward to 2018/19 to fund schemes that were not completed in 2017/18.
13. Details of the key achievements in delivery of the 2017/18 capital programme are also included in the report.

Circulation under the Local Issues Alert Procedure

14. None.

Officers to Contact

Mr C Tambini, Director of Corporate Resources
 Corporate Resources Department
 ☎0116 305 6199 E-mail Chris.Tambini@leics.gov.uk

Mr D Keegan, Assistant Director (Strategic Finance and Property)
 Corporate Resources Department
 ☎0116 305 7668 E-mail Declan.Keegan@leics.gov.uk

PART B

Overall Position - Revenue

15. Appendix A shows the detailed provisional outturn position for 2017/18. This compares the actual expenditure incurred (provisional outturn) with the updated budget. Column 2 is the original budget updated for 2016/17 carry forwards and transfers between services. Column 3 shows actual expenditure, which in the case of schools reflects the level of delegated schools budgets. This appendix also shows the effect of the provisional outturn on the level of the uncommitted General Fund balance.
16. The overall net underspend is £0.3m, which is proposed to be used to fund carry forwards.
17. The Chief Financial Officer can approve carry forwards where the money is to be spent for the purpose for which it was originally allocated in the budget. Where the carry forward is to be used for a different purpose (i.e. effectively comprising virement) the Chief Financial Officer can approve items up to £100,000 with the following exceptions:
 - where a carry forward would result in an overspending position on the department's budget;
 - where a carry forward would represent a change in existing policy; and
 - where ongoing costs might result.
18. On this basis there are no specific carry forward requests that require approval by the Cabinet.
19. Appendix B gives details of significant variances on departmental budgets for 2017/18.

Children and Family Services

Dedicated Schools Grant (DSG)

20. There is an overspend of £0.7m on DSG which will be funded from the DSG earmarked fund. The main variances relate to the following:
21. There is an overspend of £0.3m on placements for pupils with Special Educational Needs (SEN) mainly due to a shortfall in meeting the savings target of £0.7m as a result of increasing demand. Progress on reducing placements at independent schools has been significant, with expenditure reducing with a saving of £1.7m against this element of the budget. In previous years expenditure with independent schools increased significantly whereas this year additional capacity, particularly through the development of specialist autism units, has been developed and as a result has reduced the number needing independent provision.

22. The Specialist Teaching Service has overspent by £0.4m; transformation of these services was delayed pending the recruitment of a service lead which has delayed the £0.8m MTFS saving. This is partially offset by savings generated through non-recruitment to vacancies pending the restructure of these services. The project to deliver the restructure is now underway but full savings will not be realised until 2018/19.

Local Authority Budget

23. There is an overspend of £3.9m (6.4%) on the local authority budget which is inclusive of additional posts in order to enable the department to deliver the Ofsted action plan where growth of £2m has been formalised within the 2018/19 MTFS. The main variances relate to the following:
24. There is a £2.4m overspend on the Social Care Placement Budget. Over the past five years the County Council has seen a significant growth in its Looked After Children population, which has risen by 47% (an average of 7% each year, from 375 in March 2012 to 553 in March 2018) The overspend is also due to an increase in the average unit cost of 6% compared with 2016/17 due to the changing mix of placement provision including more children entering care that require residential provision.
25. Many other authorities are experiencing similar pressures with the Local Government Association reporting 75% of Councils overspending and a cumulative pressure of £600 million. Even with the rise the County Council's overall comparative rate of Looked After Children remains low, however the Council's use of residential care is high which given the very large cost of these kinds of placement is one of the main drivers for the increase in expenditure in this area. A Care Placement Strategy is being developed as part of the Transformation Programme with the aim of more effectively managing the main aspects of the Looked After Children's system to where possible impact upon demand and reduce costs. An action plan setting out a range of actions aimed to reduce the costs of placements was presented within the Period 4 budget monitoring reports to the Cabinet and the Scrutiny Commission.
26. Social care staffing budgets have overspent by £1.7m. Additional posts have been agreed in order to respond to issues highlighted by the Ofsted inspection in relation to caseloads and to respond to the post-inspection action plan. Pending recruitment it has been necessary to engage agency staff for the additional posts and to provide capacity to cover vacant posts. The 2018/19 MTFS provides growth for these additional posts.
27. Recruitment to Heads of Service is now complete, however the need to engage interim staff pending permanent positions being filled resulted in an overspend of £0.5m within the Directorate.

Adults and Communities

28. The Department has a net underspend of £5.5m which reduces to £5.4m (4.0%) after carry forwards. The main variances are set out below.

29. Residential and Nursing Care is underspent by £5.0m. Expenditure on placements in the financial year is below budget due to additional service user and health income (£3.7m), reduction in the number of service users (£1.6m) and lower average care package costs (£1.0m). This has been offset by backdated arrears relating to the previous years (£1.3m). The department implemented reviews of high cost placements which contributed to the reduction in costs and an action plan to reduce the instance of arrears in future through implementing weekly reviews of quality and timeliness of care packages.
30. Direct Payments (DP) is underspent by £0.6m. This mainly relates to the clawback of unused balances on payment cards (£2.5m), offset by an increase in cost of service user packages (£1.6m). A programme of work was undertaken under MTFS saving 'AC5 Effective Management of Direct Payments and Personal Budget Allocations' to address the issue of over-allocating the initial financial package. Other Initiatives have been implemented as a part of the review work and to date include:
- A training plan and accompanying guidance for staff to ensure that they understand how the DP cards work and that they communicate this effectively to their service users when they are set up.
 - Checking to ensure that the DP card has been activated and that the service user has set up direct debits appropriately to pay their provider(s).
 - Investigating the possibility of paying Direct Payments in arrears to avoid overpayments.
 - A social care worker has been recruited to work, aligned to the Direct Payment Card team, to assist in the clawing back of funds over 8 weeks' worth of the value of the Direct Payment.
31. Adult Learning is underspent by £0.5m due to receiving £0.2m of over performance funding in January from the Skills Funding Agency and approximately £0.3m staffing underspend that was previously earmarked as a potential clawback for underperformance but not required.
32. The in-house provision of care services is underspent by £0.5m, due to a combination of lower demand and vacancies being held in advance of the savings requirement.
33. Other staffing and running costs are overspent by £1.0m. This is due to the number of vacancies arising following the departmental restructure being filled with agency staff. The department is in the process of recruiting to the vacant posts which will reduce the agency costs in the future. In addition debts have been rising in recent years requiring additional investment in debt management of £0.25m and there is £0.5m spend on the department's transformation programme.
34. Community Life Choices day services are overspent by £0.5m due to the delay of implementing new contracts, backdated arrears and increased cost of packages.

Public Health

35. The Department has achieved a net underspend of £0.9m. The main variances relate to an underspend on Local Area Co-ordination (£0.4m) due to a change in approach to target the service to priority areas rather than covering the entire County, and an underspend due to reduced numbers of Health Checks being undertaken (£0.2m) which is as a result of a planned change in service delivery. Smaller underspends have resulted from: increased income from Clinical Commissioning Groups and the Office of the Police and Crime Commissioner on mental health and substance misuse contracts and a settlement payment from the previous Stop Smoking service provider. The development of the Programme Delivery Team has offset the underspend, this new staffing structure is linked to departmental savings plans.
36. Part of the net underspend is being invested in new Sexual Health Accommodation – explained in more detail later in the report.

Environment and Transport

37. There is a net underspend of £1.0m (1.6%), which will be used to support highways maintenance expenditure (see paragraph 52).

Highways

38. There is a net overspend of £0.7m. The main overspends relate to winter maintenance (£1.0m) due to the poor weather conditions, road safety (£0.3m) where a planned contribution from earmarked funds was not taken given underspends elsewhere in the Department and reactive maintenance (£0.3m) from a number of critical repairs to for example safety barriers.
39. These are offset by underspends on highways delivery (staffing and administration) (£0.4m) due to vacancies and increased income, highways commissioning (£0.2m) due mainly to additional income, and street lighting energy and maintenance works (£0.2m) due to early realisation of savings.

Transportation

40. There is a net underspend of £0.5m. Underspends on mainstream school transport (£0.9m) due to contract efficiencies and lower demand for services and on public bus services (£0.2m), partly offset by overspends on social care transport (£0.2m), fleet transport (£0.2m), special educational needs transport (£0.1m), and concessionary travel (£0.1m), all of which are demand-led services.

Environment and Waste

41. There is a net underspend of £1.3m. The main underspends are on landfill, (£0.4m, net of additional treatment contract costs), and composting contracts (£0.2m) both due to lower tonnages than forecast including additional diversion to energy-from-waste facilities. Recycling and re-use credits are underspent

(£0.3m) mainly due to tonnages being lower than expected. Income (£0.2m) from trade waste is greater than budgeted and additional income from recyclable materials (£0.1m) resulted from the insourcing of the recycling and household waste sites and the recyclable materials market being more buoyant than expected (although these material prices can fluctuate significantly).

Chief Executive's

42. The Department has underspent by £0.7m which reduces to £0.5m (5.1%) after carry forward requests. This is mainly due to vacancies and restructurings across the department, £0.3m, and increased income being received by the Trading Standards and Planning functions, £0.2m. In addition there is an underspend of £0.2m as growth for a contribution to the running of the proposed Combined Authority was not required due to a delay in the decision by the Government.

Corporate Resources

43. The Department has underspent by £0.5m (1.4%).
44. There are underspends from staffing and other early savings ahead of future expected savings in ICT, Strategic Finance, Assurance and Property, and the Customer Services Team. These are partly offset by overspend pressures on building maintenance and running costs due to addressing priority needs across the farms, localities, County Hall and School estates, and commercial services.
45. Commercial Services are overspent (£0.3m). Overall LTS increased its contribution from £0.8m to £1.8m over the past year, increasing its margin from 4% to 7%. The main contributors to this success have been School Food, Forestry, Sites Development, HR and Leamis with steady progress in most other service areas. There is a £0.3m shortfall compared to budget relating to a combination of timing issues (phasing of income) and historical issues writing off old debt, reconciliation issues and costs that related to previous years.

Contingency for Inflation

46. The 2017/18 original budget included a £13.3m provision for inflation. A transfer of £5m was made to the Revenue Funding of Capital budget, as the Adults and Communities budget was used instead of the contingency to meet inflation on contracts as a result of previous year underspends continuing into 2017/18. Allocations of £4.9m have been made to departments, mainly relating to the April 2017 pay award, increases in employer pension contributions, the Apprenticeship Levy, inflation required on transport and waste budgets and transfers of additional one-off funding to Environment and Transport for pot hole repairs and school parking issues. The balance of £3.4m has not been required and is shown as an underspend.

Central Items

47. Additional expenditure of £0.8m has been incurred on the Revenue Funding of Capital heading, relating to the transfer of Pooled Property Fund investment income to a separate earmarked fund, to provide funding for future developments.
48. The Central Expenditure budget was underspent by £0.3m, mainly relating to dividend income from the Eastern Shires Purchasing Organisation (ESPO) being higher than originally estimated.
49. Central Grants and Other Income is £1.0m higher than originally budgeted, due to increased bank and other interest, mainly arising from higher balances than originally estimated.
50. The Other Items budget heading is underspent by £0.8m mainly due a detailed review of prior year open purchase orders and car leasing provisions that are no longer required.

Income

51. Additional income of £0.9m has been received regarding government section 31 grants relating to compensation for the loss of business rates income arising from a number of government policy decisions, including a further extension of the temporary increase in Small Business Rate Relief and the 2% cap on business rates in previous years. In addition, the Government has made an adjustment to the Business Rates Top Up amount resulting in additional grant of £0.1m.

Additional Commitments

52. It is proposed that £10.3m of the net underspend is used to fund the following additional commitments:
 - Environment and Transport (£2m). This will be used to extend the improved response times in repairing pot-holes funding to two years, to provide funding for the implementation of recommendations on managing school parking issues and to provide general support of highways expenditure in 2018/19.
 - Environment and Transport (£1m). To increase the funding available to further support highways maintenance expenditure. This brings the additional funding for Environment and Transport provided from the current year underspends to a total of £3.7m (including £0.7m allocated by the Cabinet on 15th September 2017).
 - Future capital developments (£6.4m). This comprises £3.3m identified during the year and £3.1m at the outturn. The demand for improvement projects currently exceeds the funding available.
 - Sexual Health Accommodation - £0.5m has been included in the MTFS 2018-22 capital programme as a contribution to Leicester City Council for

the refurbishment of a new base for integrated sexual health services in Leicester, to generate ongoing revenue savings.

- Enabling Growth Activities (£0.4m). Match funding requirements from the County Council to enable existing external funding opportunities to progress and to lever a substantial amount of funds for the county to deliver against the Enabling Growth Plan and 'Strong Economy' outcome priorities.

53. There are other potential commitments that may need to be funded in the future, including:

- Ash Dieback – works to tackle the impact.
- Claims from external parties, for example 'sleep in' shifts in social care following a recent ruling that workers should be paid the national minimum / national living wage. Third party providers will be liable, as the employing organization, but they may seek to recover costs from the County Council.
- Transformation – continued investment which is funded from one-off funding.

54. The above commitments may be funded from the future developments fund if necessary.

2018/19 MTFS amendments

55. As a result of the 2017/18 provisional outturn a high level review has been undertaken of the most significant variations that are expected to continue into 2018/19. The review has shown that the main variations have already been reflected in the 2018/19 budget, having been identified and reported earlier in the year before the budget was approved in February 2018. However the position on demand-led budgets, mainly in social care, can be volatile. Where underspends continue in 2018/19 these will be managed through the inflation contingency (as in 2017/18) where increases will only be allocated where there is a clear requirement.

56. Highways Maintenance – restorative patching - additional funding, £5m. Following adverse weather and continually reducing government funding for highways maintenance there has been a decline in the condition of the network and increasing demand for reactive maintenance repairs. There are around 1,760 identified areas where patching is required (multiple potholes and other related defects) increasing by about 20 per week. Over the period of the 4 year MTFS there is forecast to be a shortfall in funding required to tackle the backlog of around £5m. A total of £27m is estimated to be needed compared with funding allocated in the MTFS capital programme of £22m. This is in addition to the £3.7m additional funding allocated in the 2017/18 which is being used to fund works to more quickly respond to customer complaints (14 day repair for customer pot-holes), school parking issues (zig-zag enforcement), and additional highways asset management (crash barriers, street lighting columns and carriageway works).

57. In order to fund the £5m shortfall, returns generated by the Corporate Asset Investment Fund (CAIF) from rental and investment income of circa £5m over

the next 2 years (that are not yet fully built into the MTFS) are recommended to be allocated to highways.

58. The CAIF income had been allocated to the future developments earmarked fund in the MTFS 2018. Due to the need to invest in improving the condition of Leicestershire's roads this can now be specifically assigned. The future developments fund will be replenished by the additional contribution to the fund from the 2017/18 outturn (£3.1m) and additional funding from Business Rates income as explained in the following paragraph.
59. Since the MTFS 2018 was approved in February, business rates income is forecast to be £1.2m higher in 2018/19. Returns provided by the Districts to the Government were not available at the time that the MTFS was compiled and show higher levels of growth than that provided for in the MTFS. It is recommended that the additional funding is allocated to the future developments fund. The additional funds are expected to continue in 2019/20 and possibly later years. This will be considered as part of planning for the MTFS 2019.

Business Rates

60. The County Council, Leicester City Council, the Combined Fire Authority and all the Leicestershire District Councils are members of the "Leicester and Leicestershire Business Rates Pool". The current 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.
61. The Pool held a balance of £6.5m from 2016/17 and previous years, of which £4.5m has been paid to the LLEP during 2017/18 and the balance of £2.0m is retained as a Pool contingency for future years.
62. Provisional outturn results for 2017/18 show a surplus of £6.1m, which will be retained within Leicestershire rather than being returned to the government as would have been the case if the Pool did not exist. Subject to external audit, the surplus will be allocated to the LLEP for investment projects in Leicestershire.
63. The pooling partners reviewed the forecast position for 2018/19 in January 2018, which reported an estimated surplus of £6.0m. All partners therefore agreed to continue with the Pool for 2018/19.

Future Developments Fund

64. There is a long list of projects that will potentially require funding over the next 4 years. These include investment in infrastructure for schools and roads arising from increases in population, investment in Supported Living accommodation, investment in community speed enforcement (depending on the outcome of the pilot), a new records office and collections hub, major IT system replacements (mainly Oracle which the Council has had in place since the early 1990's) and a contribution and underwriting of section 106 developer contributions for the Melton Mowbray distributor road.

65. After the changes to the fund described earlier in the report and higher anticipated returns in later years from the corporate asset investment fund, the latest forecast balance on the future development fund is estimated to be £40m by 2021/22.
66. The list of future developments is continually refreshed and the current requirement exceeds the current funding available. This will need to be managed through prioritisation and identification of alternative funding sources, including contributions from partners.
67. Closing the gap by taking on new loans is not the preferred option, as this increases the requirement for future savings. It is still expected that this situation can be avoided as over the course of the MTFs one or more of the following opportunities will arise:
- Underspends on the County Council revenue budget.
 - Unexpected grants are received to replace previously earmarked County Council resources.
 - Temporary use of the cash supporting earmarked funds in advance of it being required, rather than making short term cash investments.
 - Utilising the annual provision (MRP) made for the repayment of debt that is not required until the 2040s. This is expected to be £6.5m per annum.
 - Delay some of the expenditure until resources are available.
68. This approach forms part of the wider strategy to ensure that the capital programme is deliverable, affordable and the risks are understood, in line with CIPFA's requirements.

General Fund and Earmarked Funds

69. The uncommitted General Fund balance as at 31 March 2018 stands at £14.8m, which represents 4.1% of the 2018/19 revenue budget, in line with the County Council's policy. The MTFs includes further analysis of the County Council's earmarked funds including the reasons for holding them. A detailed review of earmarked funds will be reported to the Cabinet in the autumn.
70. The total level of earmarked funds held for revenue purposes as at 31 March 2018 is £40.0m, excluding the ring-fenced Dedicated Schools Grant earmarked fund and monies held on behalf of other partnerships, which compares to £33.4m as at 31 March 2017. Earmarked funds for capital purposes total £80.7m as at 31 March 2018 compared with £70.1m at 31 March 2017. Earmarked funds are shown in detail in Appendix C. The main earmarked funds are set out below.

Renewals of Vehicles and Equipment (£5.7m)

71. Departments hold earmarked funds for the future replacement of vehicles (the County Council has a fleet of around 350 vehicles) and equipment such as ICT.

Industrial Properties (£1.3m)

72. These are funds generated from in-year underspends over a number of years on the industrial property revenue budgets.

Insurance (£12.6m)

73. Earmarked funds of £7.0m are held to meet the estimated cost of future claims to enable the Council to meet excesses not covered by insurance policies and smooth fluctuations in claims between years. The levels are informed by advice from independent advisors. 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

74. The uninsured loss fund of £5.6m is required mainly to meet potential liabilities arising from Municipal Mutual Insurance (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 which is also an insurer in liquidation.

Children and Family Services

75. Supporting Leicestershire Families (£1.6m). 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.
76. Children and Family Services Developments (£1.4m). 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.

Adults and Communities

77. Adults and Communities Developments (£2.0m). 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. The increase in the fund balance compared to the forecast is due to not having to use the fund in the context of the departmental underspend and changes to the timelines of some transformation projects.

Environment and Transport

78. Commuted Sums (£2.6m). This funding, received from developers, 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.

79. Leicester and Leicestershire Integrated Transport Model (LLITM) (£2.2m). 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 2 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.
80. Environment and Transport Developments / advanced design (£1.1m). This earmarked fund is used to fund feasibility studies and advance design works to enable bids to be made (and provide some match funding) for major capital schemes to improve the transport infrastructure supporting expected growth in Leicestershire.

Corporate

81. Transformation Fund (£14.7m). The fund is used to invest in transformation projects to achieve efficiency savings and also fund severance costs. To achieve the level of savings within the MTFs the Council will need to change significantly and this will require 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.
82. Broadband (£5.8m). This fund was established to allow the development of super-fast broadband within Leicestershire. A contract has been entered into with BT and they have commenced work. There is a significant time lag in spending County Council funds as a result of securing grant funding from Central Government and the European Regional Development Fund (ERDF) that required those funds to be spent first and within a set period. The change on the outturn compared with the forecast is due to slippage on the capital programme as explained later in the report.
83. Business Rates Retention (£1.6m). 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 in later years, especially the risk of large appeals and fluctuations in Business Rates income. The fund includes a sum of £0.6m, which represents the County Council's element of the Business Rates Pool contingency of £2m.
84. Inquiry and other costs (£1.2m). This fund is held to provide funding for inquiry and other costs associated with historical child sexual exploitation.
85. Local Authority Mortgage Scheme (-£3.0m). The County Council 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 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, with £5.4m being received in 2017/18 and £3m being due in 2018/19.

86. Pooled Property Fund(s) (-£20.0m). 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. To date £20m has been invested with the timing of the final investment of £5m uncertain at this stage. The investments are held to achieve higher returns than if the funds were invested as cash. The investment is funded from the overall balance of earmarked funds and can be realised in the future when required.

Capital

87. Capital Financing (£56.0m). This fund is used to hold MTFS revenue contributions to fund capital expenditure in future years.
88. Future Developments (£24.7m). This is additional funding to mainly support future capital programme developments, covered earlier in the report. The increase at year-end is due to additional funding allocated from the revenue outturn (£3.1m).

Schools / Partnerships Earmarked Funds

89. Dedicated Schools Grant (£2.2m). 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. This fund is earmarked to fund any deficit budget that reverts 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 and has supported the high needs block overspend in 2017/18.
90. Leicestershire and Rutland Sport (£1.1m). The main purpose of this earmarked fund 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.

CAPITAL PROGRAMME

91. The updated capital programme for 2017/18 totals £93.8m, including funding carried forward from the 2016/17 capital outturn relating to slippage on schemes and funding allocated from the future developments fund (mainly £11.4m for Lichfield South).
92. A summary of the capital outturn for 2017/18, excluding schools devolved formula capital, is set out below:

Programme Area	Updated Budget £000	Actual Expenditure £000	(Under)/Over spend £000	%
Children and Family Services	25,487	19,687	(5,800)	77%
Adults and Communities	4,798	4,410	(388)	92%
Env't & Transport - Transportation	32,328	32,808	480	102%
Env't & Transport - Waste Management	320	137	(183)	43%
Chief Executive's	4,817	3,789	(1,028)	79%
Corporate Resources	5,057	3,599	(1,458)	71%
Corporate Programme	20,966	28,446	7,480	136%
Total	93,773	92,876	(897)	99%

93. A summary of the key achievements and main variations are set in the following paragraphs below. Further details of the main variations are provided in Appendix D.
94. Appendix E compares the provisional prudential indicators with those set and agreed by the Council, at its budget meeting in February 2017. These are all within the limits set except for capital expenditure, £93m, compared with £83m, mainly due to the purchase of Embankment House, Nottingham as part of the Corporate Asset Investment Fund in February 2018.

Children and Family Services

Key Achievements

95. The 2017/18 programme delivered an additional 1,101 school places, saw the completion of the Wigston Area Special School, a new primary School in Birstall, supported the creation of additional places for children with autism and access to capital funding for the expansion of Early Years providers.

Main Variances

96. The year-end position shows net slippage of £5.8m compared with the updated budget. The main variances are reported below.
97. Provision of additional primary places, £4.9m variance. The main variances include:
- Burbage, Sketchley Hill Primary- slippage of (£1.5m) due to a delay in the start of the project following issues identified within the survey relating to highway, tree and ground works.
 - Market Harborough, Farndon Fields Primary - slippage of (£1.5m), project is being delivered by the academy that has redesigned the scheme as a result of affordability issues.
 - Barwell Area Primary – slippage of (£0.9m) – project delayed pending a review of costs and value for money.
 - Hinckley, Richmond Primary - acceleration of £0.6m.

- Underspends and Unallocated budget – underspend (£1.5m). Underspends across various projects and funding set aside in unallocated budgets not fully used. Funding will be carried forward to 2018/19 for the development of place requirements for September 2018.

98. School Accommodation Programme 10+ - slippage of £0.4m. There is a delay on a scheme at Launde Primary School pending the outcome of an additional funding bid to the Education and Skills Funding Agency.

Adults and Communities

Key Achievements

99. Extra Care Loughborough - the Council successfully contributed towards the provision of 60 new places with the scheme opening on schedule. The site is currently taking new occupants and is forecast to be fully occupied by Autumn 2018.
100. Hinckley, The Trees - the conversion of two existing semi-detached houses into four, self-contained single, long term accommodation units designed for individuals from within the Transforming Care cohort is nearing completion.

Main Variances

101. The year end position shows a slippage of £0.4m compared with the updated budget. The main reasons are:
- Replacement of mobile libraries, slippage of £0.3m due to a review of the specification of vehicles needed.
 - Changing Places, £0.2m slippage as no schemes identified, there are 2 potential schemes in 2018/19.
 - Smart Libraries acceleration of £0.1m. Planned works in 2018/19 were completed in advance with the delivery and installation of self-service kiosks.

Environment and Transportation – Transportation

Key Achievements

102. A total of £4.7m has been spent on the Strategic Economic Plan, mostly funded through the Leicester and Leicestershire Enterprise Partnership. Schemes include:
- Lubbethorpe Strategic Employment Site, £0.6m - work at the B4114 junction and the new access into the employment site completed in 2017/18 with minimal disruption to the travelling public; allowing the construction of a new employment site to start.
 - A42 J13, £3.2m – Improvements to the junction started in late 2016/17 following the completion of M1 J22 works. These works are now completed, improving traffic flow at this busy junction. To make the most of

the improvements they were followed by improvements to a nearby junction funded under the National Productivity Investment Fund.

- Hinckley Phase 3, £0.5m - Phase 3 of the works to improve walking, cycling and public transport provision was completed in autumn 2016 and phase 4 of the scheme has started to be delivered.
- A46 Anstey Lane, £0.2m – the detailed design of improvements to ease congestion and mitigate the effects of the Aston Green housing development have commenced in 2017/18 and will be continued in 2018/19 with a completion on site anticipated in 2019/20
- M1 J23/A512, £0.1m – the detailed design of improvements to ease congestion and provide access to the West of Loughborough housing development have commenced in 2017/18. This will be continued through 2018/19 with a completion on site anticipated in late 2020.

103. The programme to replace all street lights in Leicestershire with LED Lanterns is progressed ahead of schedule with most of the work having been completed in 2017/18. £18.9m was spent on replacing over 68,000 lights. The programme has resulted in a significant reduction in on-going energy costs and the work will be completed shortly.

104. A total of £2.2m has been provided by the National Productivity Investment Fund and was used to deliver the following:

- A511 Tesco roundabout, £1.6m – Improvements to the roundabout were started in 2017/18 along with a new signal junction on the Ashby Bypass which are due to be complete in early 2018/19.
- Ratby Lane Wembley Road £0.6m – improvements to the signal junction were completed in 2017/18.

105. A total £12.0m was also delivered on Highways Asset Maintenance, including:

- £9.7m on carriageways
- £0.3m on footways and rights of way
- £1.5m on bridge maintenance and strengthening
- £0.1m on flood alleviation
- £0.3m on traffic signal renewal
- £0.1m on other activity including joint sealing.

Main Variances

106. The year-end position shows a net acceleration of £0.5m compared with the updated budget. The main variances are reported below:

107. Zouch Bridge – slippage of £1.5m as a result of a protracted land purchase. The Department for Transport has concluded that a Public Inquiry is required which will result in further delay to the start date.

108. Strategic Economic Plan Hinckley Area – slippage of £0.8m. Additional consultation works are being undertaken which has delayed the works until 2018/19.

109. Safety Schemes – slippage of £0.6m, due to a delay in procuring camera cars and average speed cameras as well as completing contractual arrangements.
110. National Productivity Investment Fund – slippage of £0.4m and underspend of £0.2m. Slipped slightly on one scheme but the work will be completed in early 2018/19 and an underspend on a project was due to works costing less than estimated.
111. Melton Depot Replacement – slippage of £0.4m as waiting for a suitable site to be identified.
112. Flood Alleviation scheme – slippage of £0.4m to allow schemes to be undertaken in more appropriate weather conditions and more time needed to develop the projects.
113. Street Lighting LED invest to save scheme – acceleration of £4.8m. Additional installation gangs were contracted to enable early finish and realisation of associated savings.

Environment and Transportation – Waste Management

Key Achievements

114. The programme of small improvements and works to ensure Environmental compliance at the Recycling and Household Waste Sites (RHWS) and Waste Transfer Stations (WTS) has continued. This work builds upon the previous successes and underpins the County Council's commitment to providing a high quality service.

Main Variance

115. The year-end position shows a net variance of £0.2m compared with the updated budget. The position is due to slippage on drainage works at Shepshed RHWS that are now expected to be completed in early 2018/19.

Chief Executive's

Key Achievements

116. Rural Broadband Scheme. The County Council is the Lead Body for the Superfast Leicestershire Programme, ensuring access to high-speed fibre broadband to rural businesses and communities – boosting business growth and ensuring access to a range of existing digital services. Phase 2 is underway and expected to be completed during 2018/19. By the end of Phase 2, 97% of properties in Leicestershire should have access to superfast broadband.

Main Variance

117. The year-end position shows slippage of £1.0m compared with the updated budget. This is due to the Broadband provider not achieving its contractual milestones during 2017/18. An agreement has recently been reached with the provider to be back on track by Summer 2018.

Corporate Resources

Key Achievements

118. Investment in the ICT infrastructure of £1.0m on:

- Security upgrades, a refresh of the Local Area Network (LAN), a replacement for the current Backup Solution and a refresh of the Internet Gateway.
- Implementation of the new Unified Telephony / Skype for Business solution which will replace the old telephony systems. This investment will enable smarter and more efficient working practices, as well as greater synergy with partners.

Main Variances

119. The year-end position shows net slippage of £1.5m compared with the updated budget. The main variances include:

- Loughborough, Pennine House Area Office - £0.6m underspend due to a reduction in the refurbishment works required following a re-scoping exercise.
- ICT Unified Telephony/Skype scheme - £0.3m slippage as deployment to all departments across the Authority will continue until June 2018.
- Snibston Country Park - £0.2m slippage. Plans for the Country Park have now been submitted to the District Council, major works expected to begin in Summer 2018.
- Industrial Properties - £0.2m underspend relates to improve Courtyard Workshops which is now on hold until 2018/19.
- Beacon Hill Investment - £0.1m slippage. Business case and cost of the proposed Café is being reviewed resulting in a delay and work to 2018/19.

Corporate Programme

Key Achievements

120. During 2017/18 the following purchases were made as part of the Corporate Asset Investment Fund:

- Embankment House, £12.6m
- Lichfield South, £11.4m, and
- Land at Lutterworth East, £1.6m.

121. Corporate Energy Strategy - £0.5m has been spent on upgrading lighting, boilers and heating controls at County Council premises.
122. Energy Score + Programme - £0.6m has been spent on Solar PV panels and LED lighting. This will deliver on-going revenue savings for the schemes.

Main Variances

123. The year-end position shows overall net acceleration of £7.5m compared with the updated budget. The main variances are:
- Coalville Workspace Project – slippage of £3.3m. The scheme is currently being redesigned as it is financially unviable and will be re-costed and re-programmed. Revised timescales to align with Growth Deal 2 and sale of Workspace.
 - Lutterworth East – slippage of £1.0m, a delay in completion of additional land purchases.
 - Loughborough University Science Enterprise Park – slippage of £0.7m due to a delay in negotiations with the University.
 - Leaders Farm Office Projects – slippage of £0.6m. A full planning application was approved in December 2017, however there are delays in the proposed tenant signing the lease.
 - Asset Investment Fund – Embankment House, Nottingham, acceleration from 2018/19 capital programme £12.6m due to earlier completion of purchase than anticipated.
 - Energy Strategy Invest to Save – acceleration, £0.6m, on a number of small scale energy efficiency measures, including boilers, heating controls and LED lighting upgrades.

Capital Receipts

124. The actual level of general capital receipts achieved in 2017/18 was £7.0m compared with the target budget of £7.3m. A minor delay has occurred on one large sale (£1.7m) which is now expected to complete in early 2018/19. The shortfall will be managed through overall slippage on the capital programme.

Equal and Human Rights Implications

125. There are no direct implications arising from this report.

Appendices

- Appendix A - Comparison of 2017/18 Expenditure and the Updated Revenue Budget
 Appendix B - Revenue Budget 2017/18 – main variances
 Appendix C - Earmarked Fund balances 31/3/18
 Appendix D - Variations from the updated 2017/18 capital programme
 Appendix E - Prudential Indicators 2017/18

Background Papers

Report to the Cabinet on 27 June 2006 – Provisional Revenue Outturn 2005/06
(regarding guidelines for carry forward requests)

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=1410&Ver=4>

Report to County Council on 22 February 2017 – Medium Term Financial Strategy
2017/18 to 2020/21

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=4433&Ver=4>

Report to the Cabinet on 23 June 2017 – Provisional Revenue and Capital Outturn
2016/17

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5120&Ver=4>

Report to the Cabinet on 15 September 2017 – 2017/18 Medium Term Financial
Strategy Monitoring (Period 4) and Investment Proposals

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=4863&Ver=4>