



SCRUTINY COMMISSION: 12TH JUNE 2019

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

2018/19 PROVISIONAL REVENUE AND CAPITAL OUTTURN

Purpose of the Report

1. The report sets out the provisional revenue and capital outturn for 2018/19.

Policy Framework and Previous Decisions

2. The County Council approved the 2018/19 to 2021/22 Medium Term Financial Strategy (MTFS) in February 2018. 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.

Overall Position

Revenue Outturn

3. A summary of the revenue outturn for 2018/19, excluding schools grant, is set out below:

	£000
Updated budget	362,489
Less provisional outturn	-352,865
Add additional income	249
Less additional commitments	-8,873
Net underspending	1,000

4. Overall there has been a net underspending of £1.0m after additional commitments.
5. The net underspend has been added to the uncommitted General Fund. The General Fund balance as at 31st March 2019 stands at £15.8m, which represents 4.2% of the 2019/20 revenue budget, in line with the County Council's policy and the MTFS approved in February 2019. The Fund will be reviewed again during 2019 taking into account the risks faced by the County Council.

6. 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 2019/20 to 2022/23 the savings requirement totals £74m, of which £20m still needs to be identified.
7. Appendix A shows the provisional outturn position for 2018/19. This compares the actual net expenditure incurred with the updated budget. The original budget has been updated for 2017/18 carry forwards and transfers between services.
8. The Cabinet on 24th May 2019 approved the use of £8.9m of the net underspend to fund additional commitments, as shown on Appendix A and in paragraphs 47 and 48 in this report.
9. Appendix B gives details of significant variances on departmental revenue budgets for 2018/19.

Capital Outturn

10. A summary of the capital outturn for 2018/19, excluding schools devolved formula capital, is set out below:

	£000
Updated budget	112,404
Less provisional outturn	86,057
Net Underspending (slippage)	-26,347

11. Overall there has been a net underspending of £26.3m compared with the updated budget. The net underspending will be carried forward to 2019/20 to fund schemes that were not completed in 2018/19.
12. Details of the variances and key achievements in delivery of the 2018/19 capital programme are included in the report.

DETAILS - REVENUE

Children and Family Services

Dedicated Schools Grant

13. Dedicated Schools Grant (DSG) expenditure is overspent by £0.5m due to continued pressure within the High Needs Block.
14. The number of Education Health and Care Plans (EHCP) is increasing through population increases and as a result of Special Educational Needs and Disabilities (SEND) reform has resulted in an overspend of £3.9m. Lower cost local provision continues to be developed as an alternative to more costly independent provision;

three further units for children with Autism Spectrum Disorders opened in the new academic year. Under SEND reform, students are able to access high needs support where they have an EHCP up to the age of 25, and numbers are increasing. This overspend position is partly offset in 2018/19 by an additional £1.6m DSG High Needs Block Grant allocated in December 2018.

15. Schools Growth in 2018/19 has now been confirmed and is £1.1m less than budgeted. The funding has been approved by the Schools Forum to meet the revenue costs associated with new schools and also for meeting the costs of some funding protection for schools with falling rolls as a result of age range change in other schools. This funding will be set aside within the DSG earmarked fund to meet the future costs of new schools arising as a result of housing developments across Leicestershire. The revenue cost of commissioning a new school is estimated in total to be £0.5m to £0.8m for a primary and £2.3m to £2.5m for a secondary depending upon size and opening arrangements. 23 new primary and 2 new secondary schools are expected to be built in Leicestershire in the medium to long term.
16. There is also net underspend of £0.5m on the Early Years grant which reflects a surplus of grant over expenditure as at March 2019. The Department for Education will finalise the grant allocation in July 2019. The current unspent balance will be held in the DSG earmarked fund. The Early Years grant is paid to providers on a termly basis and the grant income from the Department for Education is calculated based on annual censuses. The grant does not therefore equal the expenditure. Any differences are transferred into or out of the DSG earmarked fund.
17. Based on the year end position the net DSG overspend has been funded from the DSG earmarked fund, resulting in a balance of £1.7m.

Local Authority Budget

18. There is an overspend of £0.5m (0.8%) on the local authority budget. The main variances are explained below.
19. The recruitment of social workers is a concern nationally and that position is reflected in Leicestershire resulting in the need to use agency workers to fill vacancies. The financial impact is an overspend of £0.7m (children's social care, safeguarding and quality assurance budgets).
20. Expenditure on placements for Looked after Children (LAC) overspent by £0.7m. This is due to some unusually higher than average placement costs across both the residential and supported accommodation budget areas. For example, one residential placement with a weekly cost of over £8,000 to ensure the needs of the child can be met fully, in comparison to the weekly average of £3,500. This budget also includes additional costs arising from the increase in foster fees and invest to save costs arising from the Therapeutic Wrap Around Support contract (MISTLE).
21. The Unaccompanied Asylum Seeking Children (UASC) budget overspent by £0.4m. This is a volatile area of the budget where numbers of children and

associated costs can change rapidly. For example, in the last 3 months on the financial year UASC numbers increased from 68 to 83. The grant received from the Home Office does not fully cover costs.

22. The departmental Business Support function underspent by £0.6m. This is largely as a result of a number of vacant posts as the new service was established and staff turnover following the implementation of the Business Support Review.
23. The CFS Early Help service also under spent by £0.6m. This is due to managed vacancies and staff turnover as a result of transition to the new service from the Early Help Review.

Adults and Communities

24. The department has a net underspend of £5.1m (3.7%). The main variances are:
 - Residential Care £2.1m underspend due to a reduction in number of service users and a reduction in the cost of packages (£0.6m), and an increase in service user income (£1.5m).
 - Direct Payments £1.0m underspend due to a higher than expected clawback of unused balances and falling service user numbers (£2m) offset by increasing cost of care packages (£1m).
 - Homecare £1.4m overspend relating to increased number of adult social care service users and higher 2017/18 payments than were accrued.
25. Staffing and overhead budgets are underspent by £1.6m. Following the restructure of the department in last year there continues to be a high number of social care vacancies. Some of these have been offset by the use of agency staff or are held in advance of savings. Recruitment is in progress and the level of agency staff is reducing.
26. An additional 2018/19 grant for Adult Social Care winter pressures was announced in October 2018. The County Council's allocation was £2.4m and was used to fund additional expenditure across Adults and Communities budgets. The grant determination states that the funding may only be used for supporting the local health and social care system to manage pressures on the NHS between November 2018 and March 2019 including interventions which support people to be discharged from hospital, which would otherwise be delayed, with the appropriate social care in place.

Public Health

27. The departmental outturn is in line with the budget.
28. There has been a reduction in the use of earmarked funds of £0.1m, which is offset by reducing numbers of health checks to a targeted provision and improved software to check claims received (£0.1m). The Public Health grant for the year is £24.9m.

Environment and Transport

29. The outturn position is a net underspend of £0.7m (1.0%).

Highways

30. Net overspend of £0.2m, mainly due to the following variances:

- Staffing and Administration overspend £0.2m - delay in the introduction of charging for the pre-application advice service and additional agency staffing to cover long term sickness, slightly offset by additional savings from some vacant posts.
- Winter maintenance overspend £0.2m - necessity to treat roads in April 2018 and additional costs to fill empty barns;
- Environmental maintenance overspend £0.2m - additional costs for outsourced strimming services of alleyways and additional sign cleaning costs required during the summer.
- Street Lighting maintenance underspend (£0.2m) - routine maintenance costs being less than expected and small savings in the energy budget.
- Traffic controls underspend (£0.1m) - additional income and savings on traffic signals energy costs.

Transportation

31. Net overspend of £0.6m, mainly due to the following variances:

- Special Educational Needs (SEN) transport overspend £1.0m - increased demand and an increased number of solo occupancy journeys.
- Social Care Transport overspend £0.2m - additional spending on children's social care transport and delays implementing savings.
- Public Bus Services overspend £0.2m - due to the costs of subsidising additional bus routes that are no longer commercially viable.
- Mainstream School Transport underspend (£0.6m) - arising from a reduction in pupil numbers being transported.
- Fleet Transport underspend (£0.2m) - due to lower staffing costs arising from improving sickness absence rates and reduced fuel costs due to the use of new vehicles. Additional income has also been received.

Environment and Waste

32. Net underspend of £1.4m, mainly due to the following variances:

- Dry Recycling underspend (£0.5m) - higher than anticipated receipts for dry recycling materials.
- Treatment Contracts underspend (£0.4m) - lower waste tonnages at Mechanical Biological Treatment plants and Energy from Waste sites.
- Composting Contracts underspend (£0.2m) - decrease in green waste tonnage due to weather conditions (dry summer and therefore lower growth).

- Haulage and Waste Transfer underspend (£0.2m) - lower than expected haulage requirements in 2018/19.
- Recycling and Household Waste Sites (RHWS) overspend £0.3m - increased RHWS haulage costs. Site repair and maintenance and improvement costs were also higher than budgeted.
- Income (£0.2m) - additional income received from extra trade waste.

Chief Executive's

33. The department has a net underspend of £0.5m (5.1%) which is mainly due to staff vacancies (£0.2m) and increased income, mainly relating to planning (£0.3m).

Corporate Resources

34. The department has a net underspend of £0.2m (0.7%).
35. Underspends across the department mainly due to staff vacancies are offset by a shortfall in the achievement of the full Commercial Services income targets, which delivered a contribution of £1.6m, against a target of £2m. While both sales and net contribution were ahead of budget in most areas, an underachievement of income in Sites Development, alongside a below-budget contribution from Beaumanor Hall and Activity Centre resulted in the variance. An overspend of £0.4m is also reported on Corporate Projects due mainly to savings on the Key supplier contract not being achieved.

Contingencies

36. An underspend of £0.1m has been achieved on the Carbon Reduction Commitment budget. There has been a significant fall in the levels of CO₂ tonnages relating to energy consumption, particularly following the Council's investment in switching street lighting to LEDs.
37. Inflation underspend of £2.9m. Transfers of £12.0m have been made from the inflation contingency, mainly relating to the 2018/19 pay award, increases in employer pension contributions, the Adult Social Care Fee Review and inflation pressures on highways, transport, waste and energy budgets. This results in a residual budget of £2.9m in the contingency. This includes £2m held back due to a lower net inflation requirement for Adults and Communities as a consequence of additional income continuing from 2017/18.

Central Items

38. The Revenue Funding of Capital line shows an increase of £3.7m. This relates to the equivalent of £1.6m of Adults and Communities spend funded from the Winter Pressures grant, £1.5m Adult Social Care support grant and additional £0.6m interest income (see below) to provide funding for the Future Developments Fund.
39. There is a net underspend of £0.6m on Central Expenditure. The underspend is made up of several small items, the largest relating to additional ESPO surplus income.

40. The Central Grants and Income budget shows additional income of £2.2m, mainly relating to the following:
- The late notification of the Adult Social Care Support Grant (£1.5m, 2018/19 only). The additional income has been added to the Future Developments Fund (and is shown on the Revenue Funding of Capital line) to provide funding for proposals to reconfigure the Council's in-house learning disability residential accommodation, approved by the Cabinet on 12th June 2018.
 - Bank and other interest, additional income of £0.6m has been received due to an increase in the Bank of England base rate in August and a further £2.5m investment in Pooled Property investments midway through the year. As in previous years the additional income has been added to the Revenue Funding of Capital budget for the Future Developments Fund.
41. There is a net underspend of £1.4m on prior year adjustments, mainly due to provisional estimates from a detailed review of prior year open purchase orders that are no longer required.
42. Additional business rates Section 31 grant of £0.3m is anticipated. The Government has adjusted an element of the calculation regarding 2017/18 and the County Council has received £0.1m more income than originally forecast. In addition, the provisional returns of 2018/19 business rates income show increased income of £0.2m.
43. The Government has also allocated £0.9m to the County Council from surplus levies accumulated in the national business rates levy fund. The allocation was announced alongside the 2019/20 Local Government Finance Settlement and the County Council 2019/20 budget reflects this one-off income. The income was received at the end of March 2019 and has been carried forward to 2019/20 via the Business Rates earmarked fund.

Business Rates Pooling

44. The County Council undertakes quarterly monitoring with the District Councils and Leicester City Council regarding the 2018/19 Leicester and Leicestershire Business Rates Pool. The provisional outturn shows a surplus of c£8.5m in 2018/19 compared with a forecast of around £6.0m in January 2018. The final position will be confirmed in July 2019. The Pooling agreement allows for the surplus to be allocated to the LLEP.
45. The partners of the Business Rates Pool were successful with a bid to central government to be a pilot for 75% business rates retention in 2019/20. The latest forecasts show that the Pilot could lever an additional circa £15m in funding for the Leicester and Leicestershire area, in addition to the continuation of the Pool which is forecasting a surplus of circa £9m for 2019/20.

Additional Commitments

46. Overall there is a gross underspend of £9.9m.

47. The Cabinet on 24th May 2019 approved the use of £8.9m of the net underspend to fund the following additional commitments:

Previously reported

- Highways Maintenance (2019/20) £2.0m – summer heat damage to roads.
- Long Term Prepayments £2.7m – two long-term prepayments in respect of payments made upfront for leases of office accommodation. The prepayments are recharged to the revenue budget at £110,000 per annum. Following a review of the accounting treatment it is possible to charge the remaining amount in full to the revenue budget to remove the ongoing liability and create an annual saving equal to the amount that would have been recharged. This is a technical accounting adjustment only; the leases of the properties remain unaffected.
- Chief Executive's Department £0.2m – contribution to the revenue costs of the Broadband Project Team to complete Phase 3.
- Future Developments £3.6m - to reduce the forecast shortfall on the Fund.

New

48. Increased demands on the Authority due to unprecedented levels of infrastructure growth, additional funding is required in the following areas. The ongoing impacts of these new requirements will be included in the refresh of the MTFs for 2020-24.
- New Growth Unit, £0.25m – part year funding 2019/20, as detailed in the report to the Cabinet meeting on 24 May 2019. Establishment of a Growth Unit within the Chief Executive's Department to strengthen the County Council's internal co-ordination and management of growth projects.
 - Environment and Transport - £0.15m part year funding for new posts in 2019/20, required for increased workload in delivering the growth agenda.
49. The balance of £1m has been added to the General Fund, bringing the balance to £15.8m at 31 March 2019. This reflects the increasing uncertainty and risks over the medium term; these include legal challenges or national matters requiring funding, legislative changes that come with a financial penalty, and service provision issues that require investment.

General Fund and Earmarked Funds

50. The uncommitted General Fund balance as at 31 March 2019 stands at £15.8m, after the additional £1m mentioned earlier in the report, which represents 4.2% of the 2019/20 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.
51. The total level of earmarked funds held for revenue purposes as at 31 March 2019 is £38.1m, excluding the ring-fenced Dedicated Schools Grant earmarked fund and monies held on behalf of partnerships, which compares to £38.7m as at 31 March 2018. Earmarked funds for capital purposes total £98.2m as at 31 March

2019 compared with £81.7m at 31 March 2018. Earmarked funds are shown in detail in Appendix C. The main earmarked funds are set out below.

Renewals of Vehicles and Equipment (£4.2m)

52. 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 (£1.6m)

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

Insurance (£12.9m)

54. Earmarked funds of £7.6m 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 £375,000
 - Professional indemnity £25,000
 - Fidelity guarantee £100,000
 - Money – completely self-insured
55. The uninsured loss fund of £5.3m 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 any other uninsured losses.

Children and Family Services

56. Supporting Leicestershire Families (£1.6m). This earmarked fund is used to fund the Supporting Leicestershire Families service which is providing early help and intervention services for vulnerable families across Leicestershire.
57. Children and Family Services Developments (£1.0m). 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

58. Adults and Communities Developments (£5.6m). 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 mainly due to changes to the timelines of some transformation projects.

Environment and Transport

59. Commuted Sums (£3.0m). 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.
60. Leicester and Leicestershire Integrated Transport Model (LLITM) (£2.4m). 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.
61. Environment and Transport Developments / advanced design (£0.9m). 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

62. Transformation Fund (£11.7m). 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 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.
63. Broadband (£3.6m). This fund was established to allow the development of super-fast broadband within Leicestershire. 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 in the outturn compared with the forecast is due to slippage on the capital programme as explained later in the report.
64. Business Rates Retention (£2.5m). 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. The fund also contains income of £0.9m received from Ministry of Housing Communities and Local Government regarding an allocation of the surplus on the national levy fund, which has been reflected in the County Council's 2019/20 revenue budget.
65. Inquiry and other costs (£1.2m). This fund is held to provide funding for inquiry and other costs associated with historical child sexual exploitation.

66. Pooled Property Fund(s) (-£22.5m). 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 £22.5m has been invested with the timing of the final investment of £2.5m 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

67. Capital Financing (£54.8m). This fund is used to hold MTFs revenue contributions required to fund the approved capital programme in future years. The increase at year-end is due to additional funding allocated from the revenue outturn.
68. Future Developments (£42.6m). This funding is held to support mainly future capital programme developments. After planned commitments in the approved MTFs 2019-23, the latest estimated balance of available resources in the Fund is £9m.
69. The balance on the Future Developments Fund is held to contribute towards schemes that have been identified but are not sufficiently detailed for inclusion in the capital programme at this time. There is a long list of projects that may require funding over the next 4 years. The latest estimate of funding required is £66m. The main schemes identified are:
- Additional investment in SEND provision £7m
 - Investment in Children's Social Care £3m
 - Investment in Adult Social Care Accommodation £10m
 - Collections Hub £3m
 - Investment in highways Infrastructure £17m
 - Major IT Replacements £6m
 - County Hall Infrastructure Improvements £3m
 - Forward funding Infrastructure pending receipt of s106 funding £7m
70. Compared with the funding available of £9m, the current estimate of £66m leaves a potential shortfall of £57m.
71. Closing the gap by taking on new loans is not the preferred option, as this increases the requirement for future savings. Several actions are still possible to manage the position over the medium term, but the short-term position is tighter than envisaged a few months ago.
72. A review of the Capital Programme priorities and Earmarked funds will be undertaken to try and generate some short-term capacity.

Other / Partnerships Earmarked Funds

73. 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. This fund is earmarked to meet the revenue costs of commissioning places in new schools, early years and to support pressures on the high needs block. A summary is shown below:

	Schools Block	Early Years Block	High Needs Block	Total
	£m	£m	£m	£m
DSG	1.3	0.5	-0.1	1.7

74. While the overall DSG earmarked fund is in surplus there are significant pressures on the schools and high needs blocks. Within the schools block funding, future DSG allocations for schools growth will be retained and added to the earmarked fund to support the revenue costs of commissioning new schools. The deficit on the high needs block will increase in the medium term until the savings arising from the High Needs Development Plan are delivered. In the short term the surplus on the schools block will partially offset the high needs deficit. The expectation of the Development Plan is to replenish the DSG earmarked fund so that new school funding is not impacted.
75. Leicestershire and Rutland Sport (£1.3m). 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

76. The updated capital programme for 2018/19 totals £112.4m, including net slippage of £0.4m from 2017/18.
77. A summary of the capital outturn for 2018/19, 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	22,630	16,745	(5,885)	74%
Adults and Communities	7,110	6,541	(569)	92%
Public Health	480	484	4	100%
Environment and Transport	47,443	34,784	(12,659)	73%
Chief Executive's	5,508	2,918	(2,590)	53%
Corporate Resources	5,909	3,457	(2,452)	59%
Corporate Programme	23,324	21,128	(2,196)	91%
Total	112,404	86,057	(26,347)	77%

78. A summary of the key achievements and main variations are set out below. Further details of the main variations are provided in Appendix D.

79. Appendix E compares the provisional prudential indicators with those set and agreed by the Council, at its budget meeting in February 2018. These are all within the limits set.

Children and Family Services

Key Achievements

80. The 2018/19 programme delivered an additional 1,102 school places, delivered three new units to meet the needs of pupils with Autism Spectrum Disorder and began the development of local provision to support the High Needs Development Plan.

Main Variances

81. The year-end position shows an underspend of £5.9m compared with the updated budget. The main variance relates to the provision of Primary Places, £4.9m contingency held within the programme for any issues arising from September 2018 admission which was not required. This has been reflected in the new capital programme for 2019-23.

Adults and Communities

Key Achievements

82. Smart Libraries - the Council has installed Smart technology across Leicestershire libraries. The roll out of Smart Libraries began in April 2019.
83. Danemill Annex - refurbished allowing for the co-location of the Adult Learning Service into this building. The move ensures a revenue saving for the authority.
84. Brookfields Supported Living Scheme – purchase completed in 2018/19 with refurbishment works planned to take place in 2019/20. The site will provide new accommodation for Supported Living service users.

Main Variances

85. The outturn shows net slippage of £0.6m compared with the updated budget. The main variances are due to slippage on the Mobile Library Vehicles programme £0.2m, Changing Places £0.2m, and Smart Libraries £0.2m.

Environment and Transport

Key Achievements

86. A total £17m was invested in Highways Asset Maintenance. This included:
- £14.6m carriageways
 - £0.8m footways and rights of way
 - £0.9m bridge maintenance and strengthening

- £0.6m flood alleviation.
87. A total of £5m invested in the preparation of major projects:
- Melton Mowbray Eastern Distributor Road, £2.2m – new distributor road to the east of Melton Mowbray to ease congestion in the town centre and facilitate growth commence.
 - A50 Overbridge Markfield/Whitwick £1.4m – major safety repairs to strengthen the bridge commenced in 2018/19 and will be completed in 2019/20.
 - A46 Anstey Lane, £0.8m – detailed design of improvements to ease congestion and mitigate the Aston Green housing development.
 - M1 J23/A512, £0.8m – detailed design of improvements to ease congestion and provide access to the West of Loughborough housing development.
88. A programme of works at the Recycling and Household Waste Sites (RHWS) and Waste Transfer Stations (WTS) has continued to ensure ongoing environmental compliance and efficient service provision. This included significant improvements at Loughborough WTS, and a range of preparatory work in readiness for further site enhancement and development in 2019/20.

Main Variances

89. The year-end position shows net slippage of £12.7m compared with the updated budget.
90. The main variances are:
- Advanced Design £1.1m acceleration - due to works advanced on the microsimulation project which will enable the project to finish earlier and the tool available for use, additional emerging priorities work, and additional works identified for the Housing Infrastructure Fund bidding process.
 - County Council Vehicle Programme £0.7m acceleration - evaluation of the fleet leading to some assets being identified as no longer being economical / safe to continue repairing and running as well as additional vehicle requirements.
 - M1 Junction 23 / A512, £4.1m slippage - delay in negotiating with land owners and finalising financial payment agreement with developers. After reviewing the scheme with the newly appointed contractor more appropriate timescales have been agreed.
 - Anstey Lane A46, £4.1m slippage - delay in negotiating with land owners and finalising financial payment agreement with developers. After reviewing the scheme with the newly appointed contractor more appropriate timescales have been agreed.
 - Zouch Bridge £2.5m slippage - due to a public enquiry which took place in August 2018. The Department of Transport confirmed the Orders in January 2019. The latest estimates of costs have increased significantly since the original budget was set. Work is underway to review the costs and propose options to fund the increased estimates. An update was provided to the Cabinet at its meeting on 24 May 2019.

- Hinckley Hub (National Productivity Investment Fund) £1.3m slippage - delays in land acquisition.
- Leicester North West Major Scheme £0.7m slippage - delivery partner using other funding source first, County Council contribution anticipated in 2019/20.
- Hinckley Area Approach £0.7m slippage - delays in assessing the full costs for works on Lancaster Road.

91. In the Autumn Budget 2018 the government announced additional one off grant funding for highways maintenance in 2018/19, to repair potholes, bridges and structures, and other minor highways work. The County Council's allocation was £6.3m. Additional corporate funding of £7m was also added to the Environment and Transport capital programme in 2018/19 and 2019/20 to deal with urgent maintenance issues that had been identified (£5m highways maintenance and £2m for summer heat damage). Given the future financial position of the Authority there would have been an expectation that this would need to be repaid in future years. However, as a result of the new funding, which has to be spent by the end of March 2019, this can now be used instead. As a result, corporate funding of £6.3m has been removed and added to the future developments fund for future capital works.

Chief Executive's

Key Achievements

92. Rural Broadband Scheme. The County Council is the lead body for the Superfast Leicester and Leicestershire Programme ensuring access to high-speed fibre broadband to rural businesses and communities. Phase 2 has been completed with 96% of properties in Leicestershire having access to superfast broadband. Phase 1 and 2 together have delivered superfast broadband to 75,000 properties.

Main Variance

93. The year-end position shows slippage of £2.6m due to delays on phase 3 of the Rural Broadband Scheme. A longer than expected open market review stage of the procurement, due to additional information being requested from a potential supplier to support their response, has led to the delay. This was necessary to ensure the procurement met the requirements of the Broadband Programme Authority (BDUK).

Corporate Resources

Key Achievements

94. Investment in the ICT infrastructure of £2m:

- Replacement of the Geographical Information System
- Replacement of the Wireless Area Network and the introduction of Public Wi-fi at County Hall
- New Storage Area Network

- Rollout of Windows 10 and Microsoft Office 2016 to all Council users to replace Windows 7.

Main Variances

95. The year-end position shows net slippage of £2.5m compared with the updated budget.
96. The main variances relate to slippage on Snibston Country Park Future Strategy £1.1m due to issues with planning permission and the Fit for the Future (Oracle Systems Replacement) project £0.9m following a review of the timing of when the capital funding is required.

Corporate Programme

Key Achievements

97. During 2018/19 the following investments were made as part of the Corporate Asset Investment Fund:
- Purchase of the Citroen Garage in Leicester (£3.1m)
 - £7m land acquisition and associated costs for planning and consultancy services as part of the East of Lutterworth Strategic Development
 - £5m land and preparatory works at Loughborough University Science and Enterprise Park
 - £3m development of new industrial units at Coalville Workspace, Vulcan Way
 - £2m to develop the Leaders Farm Office projects.
98. Corporate Energy Strategy, £0.2m investment in upgraded lighting, boilers and heating controls at County Council premises.
99. Farms and Industrial Properties, £0.6m investment on schemes to improve the condition of the Councils holdings of Industrial Properties and Farms.

Main Variances

100. The year-end position shows net slippage of £2.2m compared with the updated budget. The main variances relate to the Corporate Asset Investment Fund:
- East of Lutterworth Strategic Development Area (land purchase for residential and employment development) – £3.6m acceleration due to land purchase occurring sooner than anticipated.
 - Citroen Garage, Leicester – £3.1m acceleration, purchase completed in December 2018.
 - Loughborough University Science and Enterprise Park (development of an office block plus car parking spaces) - £4.5m slippage due to delays with legal agreements and consents. Contracts have been exchanged and works commenced on site in February 2019.

- Airfield Business Park (development of industrial units on part of site) – slippage £2.3m due to delay in the open tender procurement process. Works commenced on site in February 2019.

101. In addition, slippage has also occurred on the Energy Strategy programme, £0.9m as a result of staff changes and a delay to some schemes being delivered.

Capital Receipts

102. The target for capital receipts for 2018/19 was £15.4m. The actual receipts received were £4.5m, a shortfall of £10.9m. The reduction was due to timing delays with the sale of seven sites which are now expected to take place in early 2019/20. £9.0m of the shortfall was adjusted for when compiling the MTFS 2019-23, with the balance being managed against the overall level of slippage on the capital programme.

Background Papers

Report to the County Council – 21st February 2018 – Medium Term Financial Strategy 2018/19 to 2021/22

<http://politics.leics.gov.uk/documents/s135701/MTFS%20report.pdf>

Report to the Cabinet – 22nd May 2018 – 2017/18 Provisional Revenue and Capital Outturn

<http://politics.leics.gov.uk/documents/s137593/Cabinet%2022%20May%20-%20Prov%20Outturn%20v5.pdf>

Circulation under the Local Issues Alert Procedure

None.

Equality and Human Rights Implications

There are no direct equality or human rights implications arising from this report.

Appendices

Appendix A - Comparison of 2018/19 Expenditure and the Updated Revenue Budget

Appendix B - Revenue Budget 2018/19 – main variances

Appendix C- Earmarked Fund balances 31/3/19

Appendix D - Variations from the updated 2018/19 capital programme

Appendix E - Prudential Indicators 2018/19

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