



CABINET – 23RD JUNE 2020

2019/20 PROVISIONAL REVENUE AND CAPITAL OUTTURN

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to set out the provisional revenue and capital outturn for 2019/20.

Recommendations

2. It is recommended that:
 - (a) The 2019/20 provisional revenue and capital outturn be noted;
 - (b) The prudential indicators for 2019/20 as shown in Appendix E to this report be noted.

Reasons for Recommendations

3. To inform the Cabinet of the provisional revenue and capital outturn for 2019/20.

Timetable for Decisions (including Scrutiny)

4. A report on the provisional revenue and capital outturn will be considered by the Scrutiny Commission on 22nd June 2020 and its comments will be reported to the Cabinet.

Policy Framework and Previous Decisions

5. The County Council approved the 2019/20 to 2022/23 Medium Term Financial Strategy (MTFS) in February 2019. 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.

Resource Implications

Revenue Outturn

6. A summary of the revenue outturn for 2019/20, excluding schools grant, is set out below:

	£000
Updated budget	377,410
Provisional outturn	381,680
Net overspending	4,270
Less additional income	-950
Net overspending	3,320

7. Overall there has been a net overspending of £3.3m, which has been offset by a reduction to the level of revenue funding of capital in 2019/20. This is similar to the amount that was anticipated and adjusted for within the refresh of the MTFS for 2020-24.
8. The General Fund balance has been increased by £7.3m during 2019/20 and stands at £23.1m as at 31st March 2020, which represents 5.9% of the 2020/21 revenue budget, in line with the County Council's earmarked funds policy and the MTFS approved in February 2020. The Fund will be reviewed again during 2020 taking into account the risks faced by the County Council.
9. The Authority has made significant progress in achieving the savings in the MTFS, but there is still a long way to go. Price and service demand pressures exceeded the inflation contingency for 2019/20 and the overspend has been reflected in the contingency made in the 2020-24 MTFS.
10. In the 2020-24 MTFS the savings requirement totals £80m, of which £39m still needs to be identified. Furthermore, the 2020-24 MTFS predates the additional financial pressures brought about by the Covid-19 pandemic, which will lead to additional costs, the loss of income and difficulties with implementing planned savings and the identification of new savings. There are very strong indications that there will be a significant recession which may lead to a reintroduction of austerity measures by the Government, including reductions to Settlement Funding allocations. Therefore, the identified savings requirement for 2020-24 will increase.
11. The implementation of the Fair Funding Review and the 75% Business Rates Retention Scheme have both been postponed until at least April 2022. Although it is anticipated that the County Council should receive more funding as a result of the Fair Funding Review, the MTFS does not include any provision for any additional funding.

Capital Outturn

12. A summary of the capital outturn for 2019/20, excluding schools devolved formula capital, is set out below:

	£000
Updated budget	171,252
Less provisional outturn	113,490
Net Variance	-57,762

13. Overall there has been a net variance of £57.7m compared with the updated budget. This includes net slippage of £56m and a net underspend of £1.7m. The net slippage will be carried forward to 2020/21 and future years to fund schemes that were not completed in 2019/20, with the net underspend added to the capital financing earmarked fund.
14. Details of the variances and key projects delivered in 2019/20 are included in the report.

Circulation under the Local Issues Alert Procedure

15. None.

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PART B

Overall Position - Revenue

16. Appendix A shows the provisional outturn position for 2019/20. This compares the actual net expenditure incurred with the updated budget. The original budget has been updated for transfers between services and from central contingencies.
17. The overall net overspend is £3.3m, which has been offset by a reduction to the level of expenditure on the Revenue Funding of Capital budget.
18. Appendix B gives details of significant variances on departmental revenue budgets for 2019/20.

Children and Family Services – Schools Budget

19. The overall school budget shows a net £5.8m overspend. This comprises an overspend of £7.0m on the High Needs block and a net underspend of £1.2m on the Schools and Early Years blocks.
20. Nationally concern over the impact of SEND reform on High Needs expenditure and the financial difficulties this places on local authorities is growing. The position in Leicestershire reflects the national picture. During the year demand for packages to support pupils with Education, Health and Care Plans (EHCPs) exceeded that assumed within the High Needs Development Plan by 467 pupils, an increase of 12%; and additional unit costs at special schools by 4% and mainstream schools 11%. There is a net deficit of £7.0m for 2019/20, an increase of £1.3m on the original budget plans.
21. The sufficiency workstream of the High Needs Development Plan has delivered an additional 103 places in the financial year, bringing the cumulative total number of additional places delivered and occupied to 186 by 31 March 2020. However, this additional capacity has not met the increase in overall demand and is the significant factor in the change of position. Without this new capacity pupils would have required independent special school placements.
22. When added to the existing High Needs deficit within the DSG earmarked fund the cumulative High Needs deficit at the end of 2019/20 is £7.1m. This position is allowed by the DfE as a temporary measure pending actions to return the fund into balance in future years.
23. For 2020/21 it is estimated that the expenditure in excess of the grant will be £13m assuming that current demand trends continue. By the end of 2020/21 the estimated accumulated high needs deficit is forecast to be £20m. The Department is investigating a number of actions that could over the course of the MTFS reduce demand and therefore the overall deficit.
24. The Schools and Early Years blocks have underspent by £1.2m. The main variation is a £1.9m underspend on funding budgeted for schools' growth, to meet

the revenue cost of commissioning new schools, not being required in 2019/20. The underspend will be held in the DSG earmarked fund to meet future costs, for the expected growth in pupil numbers, which the in-year grant will not cover.

Children and Family Services – Local Authority Budget (Other)

25. There is a net overspend of £3.4m (4.5%).
26. Children’s Social Care workforce - £2.9m overspend. The recruitment of social workers is a concern nationally and that position is reflected in Leicestershire resulting in a continued need to use agency workers to fill vacancies. However, the Department’s recruitment and retention strategy is embedded, and the use of agency staff is decreasing as additional permanent staff are being appointed. It is anticipated that this position will continue resulting in less reliance on agency staff. A number of newly qualified social workers have been recruited over the last 12 months, who in the short term need to be supported by experienced workers. Maintaining caseloads at a reasonable level is also an increasing pressure across many social care services.
27. Operational Placements - £1.7m overspend. Overall the numbers of looked after children (i.e. in the care of the Authority) are in line with the budget. However, some new placements have entered the system with very high and complicated needs which have resulted in costs of up to £7,500 plus per week, 100% higher than the total average cost of that placement type. The average weekly cost to social care of external residential placements has risen from £3,300 per week at the start of the financial year to £3,800 per week (a 15% increase) by the end of the financial year.
28. Likewise, a similar trend can be seen in the 16-plus provision type, with the average weekly cost to social care of £950 per week at the start of the financial year rising to £1,330 per week (40% increase). Again a similar trend is being seen where new activity coming into the care system is managing need of a higher, more complex type than activity exiting the system. For example, at the end of the financial year, this cohort of children included some provision costing £3,000 per week (200% higher than average cost for this provision type), but potentially could have been costing the Council significantly more had these placements not been stepped down from an external residential placement.
29. The increase in social care staffing and placement costs has been included as growth within the new MTFS.
30. The Children and Families Wellbeing Service budget is underspent by £1.0m, largely due to staff turnover and vacancies.

Adults and Communities

31. The Department has a net underspend of £2.4m (1.6%). The main variances are reported below.

32. Residential Care / Supported Living – net overspend of £0.3m arising from an increase in the cost of care compared with the budget. This position includes the following variances;
- an increase in costs on supported living due to the departmental Target Operating Model (TOM) programme transferring service users to supported living from residential care, which has seen a similar reduction in costs (£1.3m) – savings will materialise in 2020/21 as existing and some temporary enhanced packages of care can be reduced,
 - a reduction in residential care costs, and associated income, from the residential learning disabilities pooled budget following changes to the pooling arrangements with Health (£1.1m), and
 - an increase in the provision for unrecoverable debts of £0.2m.
33. Direct Payments / Home Care – a net overspend of £0.2m. Increased service users receiving a Help to Live at Home (HTLAH) service offset by a reduction in the number of service users receiving a Direct Payment.
34. Additional Better Care Fund (BCF) funding of £1.1m was agreed during the year for social care protection and other schemes to reduce demand.
35. Staffing, overhead and other budgets have underspent by a net £1.8m. There is a high level of staffing vacancies across the Department. Some of these have been offset by the use of agency staff or are held in advance of savings.
36. As in previous years the profile of service users and their care needs are constantly changing which may impact on the services commissioned. Overall demand-led expenditure totals circa £180m. In addition the TOM programme is progressing and will be implementing new ways of working which will impact some budgets.

Public Health

37. The Department has a net underspend of £0.1m. This is mainly due to reducing numbers of health checks to a targeted provision and improved software to check claims received, plus better management of contracts for children's services and some additional grant funding. Some of these savings have been offset by increased demand, particularly for sexual health services.

Environment and Transport

38. There is a net overspend of £1.5m (2.1%).
39. Special Educational Needs (SEN) transport is the main variance, reporting a £2.1m overspend for the year. There are increasing numbers of pupils requiring transport provision and in some cases risk assessments and case conferences have highlighted that children require a higher level of transport provision (such as solo travel). Delays in implementing savings are also a factor in the forecast overspend (£0.6m of the overspend), including those relating to the impact of the judicial review.

40. The Public Bus Services budget is overspent by £0.7m. This is partly due to the cost of subsidising additional bus services / routes that became no longer commercially viable during 2018/19 and 2019/20. Delays in the implementation of local bus service savings, as part of the Passenger Transport Policy (PTP) project, has also contributed to the overspend position.
41. These and other overspends were partly offset by a number of underspendings, the most significant of which was on Landfill (0.6m), due to more waste being diverted from landfill and instead going to Refuse Derived Fuel (RDF) and Energy from Waste (EFW) and tonnages being slightly lower than budgeted.

Chief Executive's

42. The Department has underspent by £0.7m (6.3%) which is mainly due to staff vacancies and general overheads (£0.5m) and increased income (£0.4m) offset by an increase in the costs of the City Coroner's service (£0.2m).

Corporate Resources

43. There is a net overspend of £0.5m (1.3%) which relates to the impact of Covid-19 at the end of the financial year.
44. Commercial Services reported an overspend of £2.6m, due to growth in profit (£0.5m) not being achieved and additional costs arising from the 2019 pay award that could not be fully recovered through increased income levels in the short term. In addition, there have been challenging market conditions, the need for staff reviews across several services, and staff absences. The service has also been affected by Covid-19 by £0.5m which is included in the overall service overspend. A fundamental review of commercial services is being undertaken, especially in light of the longer term impact of Covid-19, to identify and assess the options available to address the longer term financial position.
45. Overall, the position is offset by savings elsewhere within the Department, including through managing vacancies in ICT staffing in advance of savings and the early implementation of savings on Insurance, reflecting low levels of claims.

Central

46. The inflation contingency of £13.9m is overspent by £3.2m. The overspend is mainly due to inflation pressures of £9.2m on the Adults and Communities budget, mostly relating to the fee review including implementing new bands and the 2019/20 inflationary uplift, as detailed in a report to the Cabinet on 25 June 2019. This is exceptional compared with previous years (averaging around £4m - £5m). Other pressures include the 2019/20 pay award and an increase to the employer pension contribution rate amounting to £5.3m, and inflation pressures of around £2.6m on highways, transport, waste, energy and other budgets.
47. Central Grants and Other Income budgets are underspent by £0.7m due to an increase in bank interest from higher balances.

48. Other Items (including prior year adjustments) show a net underspend of £2.0m mainly due to a review of prior year open purchase orders and other liabilities that are no longer expected to be incurred.
49. The budget assumed a requirement to increase the General Fund by £6m to cover the forecast deficit in High Needs funding. The worsened position, as set out above, required an additional £1.3m to be contributed to the General Fund in 2019/20 to mitigate the risk that this expenditure cannot be recovered.
50. Additional Business Rates income of £0.5m has been received, mainly relating to an increase in Section 31 grants to compensate for discounts awarded nationally by Government, and additional funding from the national levy account.
51. The Government paid the initial estimate of 2020/21 Section 31 grants of £4.6m at the end of March, as part of its response to the Covid-19 pressures faced by authorities. The £4.6m has been transferred to the Government Cash Flow Funding earmarked fund to be utilised in 2020/21.
52. The Government also paid the first £1.6bn tranche of general Covid-19 grant to local authorities at the end of March. The County Council was allocated £15.1m and that funding has been transferred to the Government Cash Flow Funding earmarked fund and to be utilised to offset Covid-19-related pressures in 2020/21.

Business Rates

53. The latest forecasts for the 2019/20 Leicester and Leicestershire Business Rates Pool and 75% Business Rates Pilot show:
 - Business Rates Pool – a surplus of £8.2m in 2019/20 compared with an original forecast of £8m in January 2019. The surplus is transferred to the Leicester and Leicestershire Enterprise Partnership (LLEP).
 - Business Rates Pilot – a surplus of £14m, to be distributed to the pooling partners. The County Council's share of circa £7m is included in the 2019/20 MTFs as part of the Future Developments Fund. The pilot is for 2019/20 only.
54. Due to the success of the Business Rates Pool a total of £32m will have been retained in Leicestershire, since the first year of operation in 2013/14. The funding, provided to the LLEP, is being used to support a range of infrastructure projects around the County and City. Part of this funding will be received by the County Council to help offset the costs of specific projects which would otherwise need to be funded from the Council's own funding sources.
55. The final position for 2019/20 will be based on returns to be submitted by the billing authorities to the Government. The Cabinet will be updated on the position when details are available.
56. Due to the strong position in 2019/20 the Pool has continued in 2020/21. Initial estimates suggested an improvement on the 2019/20 position, but the impact of

Covid-19 on business rates income and interventions made by Government make the position difficult to forecast.

Overall Revenue Summary

57. Overall, there is a net overspend of £3.3m.
58. In order to balance the 2019/20 outturn position the Revenue Funding of Capital budget has been reduced by £3.3m. This is possible given the level of slippage on the capital programme as set out below and was anticipated when compiling the updated MTFS for 2020-24. The overspend has to be repaid which resulted in a reduction to the funding available for the 2020-24 capital programme.
59. For 2020/21, the significant budget pressures reported during 2019/20 were identified early in the financial year and have been reflected in the new 2020-24 MTFS.
60. Additional pressures brought about by Covid-19 will affect 2020/21 and later years, from additional costs, the loss of income and difficulties with implementing planned savings and the identification of new savings. It is highly likely that there will be a significant recession which may lead to a reintroduction of austerity measures by the Government, including reductions to Settlement Funding allocations.

General Fund and Earmarked Funds

61. The uncommitted General Fund balance as at 31 March 2020 stands at £23.1m (after an addition of £7.3m in 2019/20) which represents 5.9% of the 2020/21 revenue budget, in line with the County Council's earmarked funds policy. The MTFS includes further analysis of the County Council's earmarked funds including the reasons for holding them.
62. The total level of earmarked funds held for revenue purposes as at 31 March 2020 is £46.4m, excluding the ring-fenced Dedicated Schools Grant earmarked fund and monies held on behalf of partnerships, which compares to £36.5m as at 31 March 2019. Earmarked funds for capital purposes total £78.6m as at 31 March 2020 compared with £99.9m at 31 March 2019. Earmarked funds are shown in detail in Appendix C. The main earmarked funds are set out below.

Renewals of Vehicles and Equipment (£3.3m)

63. 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 (£1.1m)

64. These are funds generated from the industrial property portfolio. The fund is used for improvement works included within the capital programme.

Insurance (£12.0m)

65. Earmarked funds of £6.8m 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.
66. The uninsured loss fund of £5.2m 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

67. Supporting Leicestershire Families (£1.8m). 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.
68. Children and Family Services Developments (£1.1m). This fund provides funding for a number of projects such as improving management information, information access and retention and responding to changing requirements as a result of OfSTED and legislation.

Adults and Communities

69. Adults and Communities Developments (£5.0m). 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 an underspend on 2019/20 improved Better Care Fund (iBCF) funding. The usage of the fund is agreed with partners and is planned to be used on health integration projects in 2020/21 and later years.

Environment and Transport

70. Commuted Sums (£3.1m). This funding, received from housing 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.
71. Leicester and Leicestershire Integrated Transport Model (LLITM) (£2.2m). This earmarked fund is income 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.

72. Other £1.1m. These earmarked funds will be used to manage funding of schemes where grant awards and scheme expenditure relate to/occur in different years and will also will fund plant renewal for highway services.

Corporate

73. Transformation Fund (£7.5m). 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.
74. Broadband (£3.4m). 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.
75. 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.
76. Inquiry and other costs (£1.0m). This fund is held to provide funding for inquiry and other costs associated with historical child sexual exploitation.
77. Pooled Property Fund(s) (-£24.0m). 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. 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. A cumulative unrealised gain of £1.0m is also included with the fund.
78. Government Cash Flow Funding (£19.7m). The Government paid the first instalment of general Covid-19 grant (£15.1m) and the 2020/21 Business Rates Section 31 grant (£4.6m) in late March 2020. These amounts have been set aside in this new earmarked fund and will be used to fund expenditure in 2020/21.

Capital

79. Capital Financing (£78.6m). 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 the overall level of slippage on the capital

programme in 2019/20. As revenue funding is less restricted than capital funding, which can only be used to fund new capital expenditure, balances from this fund have been used last. The fund also includes the balance on the future developments fund which is used to support mainly future capital programme developments. This element of the fund has been fully committed but not all spend has yet been incurred. The balance will be held in the capital financing fund to fund the outstanding commitments.

Other / Partnerships Earmarked Funds

80. Dedicated Schools Grant (deficit of £4.1m). 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
31-3-19	1.3	0.5	-0.1	1.7
Changes 2019/20	1.9	-0.7	-7.0	-5.8
31-3-20	3.2	-0.2	-7.1	-4.1

81. 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.
82. Leicestershire and Rutland Sport (£1.5m). 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

83. The updated capital programme for 2019/20 totals £171m, including net slippage of £19m from 2018/19.
84. A summary of the capital outturn for 2019/20, excluding schools devolved formula capital, is set out below:

Programme Area	Updated Budget £000	Actual Expenditure £000	Net Variance £000	%
Children and Family Services	25,939	22,747	(3,192)	88%
Adults and Communities	14,083	7,338	(6,745)	52%
Environment and Transport	73,829	40,564	(33,265)	55%
Chief Executive's	710	96	(614)	14%
Corporate Resources	10,908	4,554	(6,354)	42%
Corporate Programme	45,783	38,191	(7,592)	83%
Total	171,252	113,490	(57,762)	66%

85. A summary of the net variance is shown below:

Programme Area	Underspend £000	Overspend £000	Slippage £000	Accelera- tion £000	Total £000
Children and Family Servs.	(1,160)	1,217	(6,547)	3,296	(3,192)
Adults and Communities	(489)	110	(6,373)	7	(6,745)
Environment and Transport	(410)	49	(34,232)	1,328	(33,265)
Chief Executive's	(0)	0	(614)	0	(614)
Corporate Resources	(56)	152	(6,623)	173	(6,354)
Corporate Programme	(1,276)	152	(12,531)	6,063	(7,592)
Total	(3,390)	1,681	(66,920)	10,867	(57,762)
	Net Underspend	1,709	Net Slippage	56,053	

86. The net underspend of £1.7m has been added to the capital financing earmarked fund to offset the shortfall on capital receipts, described later in the report. The net slippage of £56.1m has been carried forward to the capital programme 2020-24 to fund delayed projects.

87. A summary of the key projects delivered and main variations are set out below. Further details of the main variations are provided in Appendix D.

88. Appendix E compares the provisional prudential indicators with those set and agreed by the Council, at its budget meeting in February 2019. These are all within the limits set.

Children and Family Services

Key Projects Delivered

89. Creation of additional school places successfully completed projects at 12 different schools. 1,000 new Primary school places and 32 new Secondary school places were delivered. The SEND programme saw the completion of several schemes to support the High Needs Development Plan. Five new units for pupils with either social, emotional and mental health needs, or communication and interaction needs were delivered, alongside the expansion of existing specialist provisions across the County. Work has also commenced on two new special schools and a number of additional units that will be completed during 2020/21.

Main Variances

90. The year-end position shows a net variance of £3.2m compared with the updated budget. The main variances are due to slippage on the provision of Primary Places £3m, Early Help Building (refurbishment) £0.3m, Strategic Capital Maintenance £0.3m and acceleration of SEND Programme £0.5m.

Adults and Communities

Key Projects Delivered

91. Smart Libraries - completed the installation of Smart technology across Leicestershire libraries to allow library members self-access to the buildings outside of staffed hours.
92. Changing Places - a further two schemes were completed in 2019/20. The facilities are located at John Storer House in Loughborough and Bassett Street Community Hub in South Wigston.
93. New Ashby Court Transitions and Supported Living Scheme - the property purchase was completed in 2019/20 with refurbishment works planned to take place in 2020/21. The site will provide new accommodation for both Transitions and Supported Living service users.

Main Variances

94. The outturn shows a net variance of £6.7m compared with the updated budget. The main variances are due to slippage on the Record Office Relocation £3m, Hamilton Court/Smith Crescent – North West Leicestershire Development £2.5m, Brookfields Supported Living Scheme (refurbishment) £0.4m and Hinckley The Trees (refurbishment) £0.3m.

Environment and Transport

Key Projects Delivered

95. A total of £19.2m has been spent on the preparation of major projects, including:
- M1 J23/A512, £7.1m – the detailed design and construction of improvements to ease congestion and provide access to the West of Loughborough housing development commenced in 2017/18. This major scheme has continued through 2019/20 with a completion on site anticipated in spring 2021.
 - A46 Anstey Lane, £6.1m – the detailed design and construction of improvements to ease congestion and mitigate the Aston Green housing development commenced in 2017/18 and continued in 2019/20 with a completion on site anticipated in summer 2020.
 - Lutterworth East - £2.4m to design highway improvements and provide access to proposed new housing development in Lutterworth (this programme is being paused until funding can be secured).

- Melton Mowbray Eastern Distributor Road, £2.1m – the project to build the distributor road to the east of Melton Mowbray to ease congestion in the town centre and facilitate growth commenced in 2017/18 with anticipated on site advance works starting 2021.
- A511 Major Road Network scheme, £0.9m - to tackle longstanding congestion and traffic related problems on the A511 between Leicester (M1 Junction 22) and the A42 commenced 2019/20 with a completion on site anticipated in December 2024.

96. A total £14.9m was also invested in Highways Asset Maintenance,

- £12.5m on carriageways
- £0.6m on footways and rights of way
- £0.6m on bridge maintenance and strengthening
- £0.4m on flood alleviation
- £0.2m on traffic signal renewal
- £0.6m on other activity including joint sealing.

97. 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 Shepshed Civic Amenity Site and a range of preparatory work in readiness for further site enhancement and development in 2020/21.

Main Variances

98. The year-end position shows a net variance of £33.3m compared with the updated budget.

99. The main variances are:

- M1 Junction 23 / A512, £8.1m slippage - due to delays in the legal agreement being signed with the developers. There was also a delay in mobilisation due to issues with access to the site. The agreement has now been signed and construction works have started.
- Hinckley Hub (National Productivity Investment Fund) £5.3m slippage - due to delays in negotiating with landowners and Gas Works which restricted road works in the area. This has meant that work could only start in March 2020.
- Waste Transfer Station Development £4.6m slippage - due to work commencing later than anticipated while identifying a suitable site. A site has now been identified at Bardon and the scheme can now progress.
- Melton Depot Replacement £3.9m slippage - there is currently no prospect of moving to a new depot site until the Melton Distributor Road is completed and the contractor has moved out.
- Lutterworth East Spine Road £2.2m slippage – initial preparatory works. The Council was unsuccessful with a funding bid for the main project which has now been paused while options are being considered.
- Zouch Bridge £2.1m slippage - after a review of the programme due to increased costs and a Cabinet report earlier in the year.

- County Council Vehicle Programme £1.8m slippage - due to a fleet management review. Whilst the review and the outcomes are considered there is a pause on replacing the fleet.
- Advanced Design £1.2m slippage - due to unsuccessful bid, delaying work and study work for other projects not yet commenced.

Chief Executive's

Key Projects Delivered

100. Rural Broadband Scheme; the County Council has committed to seeking all available options to achieve universal superfast broadband coverage across the County. Phase 3 of the Superfast Leicestershire programme is a key component in working towards this commitment and BT was awarded the contract as the delivery partner on 6 August 2019. Initial deployment of Phase 3, covering the west of the County, is to be completed over two years.
101. SHIRE Community Solutions Grants. The grant provides funding of up to £10,000 per scheme to voluntary and community sector organisations for community based projects that are focused on supporting vulnerable and disadvantaged people and communities. £100,000 was awarded and paid out in 2019/20.

Main Variance

102. The year end position shows a net variance of £0.6m. This is due to delays on phase 3 of the Rural Broadband Scheme relating to the East Leicestershire Programme which is being retendered.

Corporate Resources

Key Projects Delivered

103. Investment in the ICT infrastructure of £0.9m:
- New Storage Area Network
 - Completion of the Rollout of Windows 10 and Microsoft Office 2016 to all Council users to replace Windows 7.
 - Replacement of the Session Border Controllers and Load balancers
104. Investment of £1.4m in the Fit for the Future project.
105. A further £1m has been spent on delivering the Snibston Masterplan, which is due to complete in Summer 2020 and will encompass a new Country Park on the site of the Snibston Discovery site, alongside bike tracks and an extended café offering.

Main Variances

106. The year-end position shows a net variance of £6.4m compared with the updated budget.

107. The main variances relate to slippage on the Watermead Country Park new footbridge £1.8m while discussions between partners continue as to the viability of the scheme; Snibston Country Park Future Strategy land remediation works £1.8m due to the site being investigated for potential use for the Adults and Communities Social Care Improvement Programme (SCIP); and Snibston Country Park Future Strategy £1.7m due to a delay in finalising the Section 106 agreement.

Corporate Programme

Key Projects Delivered

108. During 2019/20 the following investments were made as part of the Corporate Asset Investment Fund:

- £14.9m land acquisition and associated costs for planning and consultancy services as part of the East of Lutterworth Strategic Development plan.
- £13.9m for works at Loughborough University Science and Enterprise Park (part of £22m project).
- £4.7m to further develop Airfield Farm, in Market Harborough.
- £3m development of new industrial units at Coalville Workspace, Vulcan Way.
- £0.5m improvement works to Industrial Properties and Farms owned by the Council.

109. Corporate Energy Strategy, £0.3m investment in upgraded lighting, boilers and heating controls at County Council premises.

Main Variances

110. The year-end position shows a net variance of £7.6m compared with the updated budget.

111. The main variances relate to the Corporate Asset Investment Fund:

- East of Lutterworth Strategic Development Area (land purchase for residential and employment development) – £9.7m slippage, with the final two parcels of land purchase being completed in April 2020.
- Airfield Farm scheme slippage of £0.7m for small snagging works subsequent to completion, alongside a £1m underspend as the project team were able to procure a lower cost construction package.
- LUSEP scheme acceleration of £5.4m.

112. In addition, slippage has also occurred on the Energy Strategy programme, £1.9m as a result of staff changes and a delay to some schemes being delivered.

Capital Receipts

113. The target for new capital receipts for 2019/20 was £9.6m. The actual receipts received were £2m, a shortfall of £7.6m. The shortfall is primarily due to delays

with three large planned sales where planning permission is required. Of these £3m is now expected to be received in 2020/21. An adjustment for the delays and shortfall was included within the MTFS 2020-24.

Capital Summary

114. Overall £113m was invested in capital projects in Leicestershire during 2019/20. This was the highest level of investment in at least the last fifteen years.

115. Overall spend was less than budget by £58m. This was mainly due to major highways projects which require complex agreements with multiple partners.

Corporate Asset Investment Fund

116. A summary of the Corporate Asset Investment Fund (CAIF) position for 2019/20 is set out below:

Asset Class	Opening Capital Valuation	Capital Incurred 2019/20	Change in Valuation	Closing Capital Valuation	Change in Capital Value	Target Net Income	Actual Net Income	Net Income Return
	£000	£000	£000	£000	%	£000	£000	%
Office	27,657	0	-497	27,160	-1.8%	2,373	1,733	6.4%
Industrial	12,479	245	-305	12,419	-2.4%	594	971	7.8%
Distribution	456	1	-1	456	-0.2%	0	24	5.2%
Development(N1)	22,161	37,347	-728	58,780	-1.2%	83	-268	-0.5%
Rural	20,585	313	1,624	22,522	7.8%	463	265	1.2%
Other(N2)	4,344	0	69	4,413	1.6%	276	227	5.1%
Pooled Property	23,110	2,500	-761	24,849	-3.0%	1,000	972	3.9%
Private Debt(N3)	20,890	-757	143	20,276	0.7%	1,000	608	3.0%
TOTAL	131,682	39,649	-456	170,875	-0.3%	5,789	4,532	2.7%

(N1) includes downward adjustment to the opening capital value for the LUSEP project of £12.9m.

(N2) includes vehicle showroom

(N3) principal repaid in 19/20 £0.8m, and unrealised income £0.6m paid on maturity

117. During the year, the fund generated net income returns of £4.5m, or 2.7%. If the development classification was excluded, the return would increase to 4.8%.

118. Overall the fund incurred a net capital valuation loss of 0.3% for 2019/20 (not cash). Returns were lower than normal due to a general deterioration in rental yields in the property sector. This reflects the state of the wider property market. Some of these will return. Property is a long term investment that will incur periods of variation, but over the longer term it is expected that these will recover

in value. More detailed information will be provided in the annual CAIF performance report to the Cabinet in September.

119. The downward adjustment for the opening valuation on the LUSEP project related to a technical change on the valuation, which was based on the pre-let lease agreement on full rental returns, prior to the completion of the scheme. This avoids a double count between the capital additions and the capital valuation.

Equality and Human Rights Implications

120. There are no direct equality or human rights implications arising from the recommendations in this report.

Appendices

- Appendix A - Comparison of 2019/20 Expenditure and the Updated Revenue Budget
- Appendix B - Revenue Budget 2019/20 – main variances
- Appendix C- Earmarked Fund balances 31/3/20
- Appendix D - Variations from the updated 2019/20 capital programme
- Appendix E - Prudential Indicators 2019/20

Background Papers

Report to the County Council – 20th February 2019 – Medium Term Financial Strategy 2019/20 to 2022/23

<http://politics.leics.gov.uk/documents/s144416/Report%20of%20the%20Cabinet%20-%20MTFS.pdf>

<http://politics.leics.gov.uk/documents/s144417/MTFS%2019-23%20-%20Cab%208-2-19%20v4%20final.pdf>

Report to the Cabinet – 24th May 2019 – 2018/19 Provisional Revenue and Capital Outturn

<http://politics.leics.gov.uk/documents/s145939/201819%20Provisional%20Revenue%20and%20Capital%20Outturn.pdf>

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