Leicestershire County Council

CABINET – 9 FEBRUARY 2018

PROVISIONAL MEDIUM TERM FINANCIAL STRATEGY 2018/19 - 2021/22

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. This report presents the County Council's proposed 2018/19 to 2021/22 Medium Term Financial Strategy (MTFS) for approval, following consideration of the draft MTFS by the Cabinet in December 2017 and the Overview and Scrutiny bodies in January and receipt of the draft Local Government Finance Settlement on 19 December 2017.

Recommendation

2. That the following be recommended to the County Council:

   (a) That subject to the items below, approval be given to the MTFS which incorporates the recommended revenue budget for 2018/19 totalling £361m as set out in Appendices A, B and E of this report and includes the growth and savings for that year as set out in Appendix C;

   (b) That approval be given to the projected provisional revenue budgets for 2019/20, 2020/21 and 2021/22, set out in Appendix B to the report, including the growth and savings for those years as set out in Appendix C, allowing the undertaking of preliminary work, including business case development, consultation and equality impact assessments, as may be necessary towards achieving the savings specified for those years including savings under development, set out in Appendix D;

   (c) That approval is given to the early achievement of savings that are included in the MTFS, as may be necessary, along with associated investment costs, subject to the Director of Finance agreeing to funding being available;

   (d) That the level of earmarked funds as set out in Appendix J be noted and the use of earmarked funds be approved;

   (e) That the amounts of the County Council's Council Tax for each band of dwelling and the precept payable by each billing authority for 2018/19 be as set out in Appendix K (including 3% for the adult social care precept);

(f) That the Chief Executive be authorised to issue the necessary precepts to billing authorities in accordance with the budget requirement above and the tax base notified by the District Councils, and to take any other action which may be necessary to give effect to the precepts;

(g) That approval be given to the 2018/19 to 2021/22 capital programme as set out in Appendix F;

(h) That the Director of Finance following consultation with the Lead Member for Resources be authorised to approve new capital schemes including revenue costs associated with their delivery;

(i) That it be noted that new capital schemes, referred to in (h), are shown as future developments in the capital programme, to be funded from funding available;

(j) That the financial indicators required under the Prudential Code included in Appendix L, Annex 2 be noted and that the following limits be approved:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Operational boundary for external debt				
i) Borrowing	264.6	264.1	263.6	263.1
ii) Other long term liabilities	1.3	1.2	1.1	1.0
TOTAL	265.9	265.3	264.7	264.1
Authorised limit for external debt				
i) Borrowing	274.6	274.1	273.6	273.1
ii) Other long term liabilities	1.3	1.2	1.1	1.0
TOTAL	275.9	275.3	274.7	274.1

(k) That the Director of Finance be authorised to effect movement within the authorised limit for external debt between borrowing and other long term liabilities;

(l) That the following borrowing limits be approved for the period 2018/19 to 2021/22:

(i) Upper limit on fixed interest exposures 100%
(ii) Upper limit on variable rate exposures 50%
(iii) Maturity of borrowing:-

	Upper Limit %	Lower Limit %
Under 12 months	30	0
12 months and within 24 months	30	0
24 months and within 5 years	50	0
5 years and within 10 years	70	0
10 years and above	100	25

(m) That the Director of Finance be authorised to enter into such loans or undertake such arrangements as necessary to finance capital payments in 2018/19, subject to the prudential limits in Appendix L;

(n) That the Treasury Management Strategy Statement and the Annual Investment Strategy for 2018/19, as set out in Appendix L, be approved including:
   (i) The Treasury Management Policy Statement, Appendix L; Annex 4
   (ii) The Annual Statement of the Annual Minimum Revenue Provision as set out in Appendix L, Annex 1;

(o) That approval is given to the Risk Management Policy and Strategy (Appendix H);

(p) That the Capital Strategy (Appendix G) and Earmarked Funds Policy (Appendix I) to this report be approved;

(q) That it be noted that the partners of the Leicester and Leicestershire Business Rate Pool have agreed to continue with the arrangements for 2018/19;

(r) That the Director of Finance following consultation with the Lead Member for Resources be authorised to make changes to the MTFS required as a result changes arising between the Cabinet and County Council meetings, for example the Final Local Government Finance Settlement. Any changes will be reported to the County Council.

Reasons for Recommendation

3. To enable the County Council to meet its statutory requirements with respect to setting a budget and Council Tax precept for 2018/19, to allow efficient financial administration during 2018/19 and to provide a basis for the planning of services over the next four years.

Timetable for Decisions (including Scrutiny)

4. On 12th December 2017 the Cabinet agreed the proposed MTFS, including the 2018/19 revenue budget and 2018/19 to 2021/22 capital programme, for consultation. The Overview and Scrutiny Committees and the Scrutiny Commission then considered the proposals in January 2018 (the comments of those bodies are attached as Appendix N).

5. The County Council meets on 21st February 2018 to consider the MTFS including the 2018/19 revenue budget and capital programme. This will enable the 2018/19 budget to be set before the statutory deadline of the end of February 2018.

Policy Framework and Previous Decisions

6. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council on 22nd February 2017. The County Council's Strategic Plan (agreed by the Council on 6th December 2017) outlines the Council's long-term vision for the organisation and the people and place of Leicestershire. The MTFS, along with other plans and strategies such as the Transformation Programme, aligns with and underpins the Strategic Plan.

Legal Implications

7. The Director of Law and Governance has been consulted on this report.

Resource Implications

8. The MTFS is the key financial plan for the County Council.

9. The County Council is operating in an extremely challenging financial environment. Whilst the four-year Settlement had already confirmed that this would continue until at least 2019/20, the extension of austerity suggests that the UK is not yet halfway on the road to stability.

10. Delivery of the MTFS requires savings of £50m to be made from 2018/19 to 2021/22. This MTFS sets out in detail £37m of savings and proposed reviews that will identify further savings to offset the £13m funding gap in 2021/22. Strong financial control, plans and discipline will be essential in the delivery of the MTFS.

11. To ensure that the MTFS is a credible financial plan unavoidable cost pressures have been included as growth. By 2021/22 this represents an investment of £41m, primarily to meet the forecast increase in demand for social care.

Circulation under the Local Issues Alert Procedure

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

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PART B

Changes to the draft Budget proposed in December 2017

13. Changes to the draft budget considered by the Cabinet on 12th December 2017 are summarised in the table below:

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Shortfall at 12 December 2017	0	0	8,832	17,691
Increase Core Council Tax				
Additional 1% increase to 2.99%	-2,693	-2,850	-2,940	-3,050
Supporting Leicestershire Families transition fund	1,000	1,000	0	0
Highway Maintenance investment	600	600	600	600
Support Fund for Community Libraries	100	0	0	0
Increase Inflation provision	1,000	1,100	1,100	1,100
Adult Social Care precept				
1% increase brought forward 1 year	-2,693	60	50	60
Investment in Supported Living	2,693	0	0	0
Other funding changes				
Council Tax Base	-1,230	-1,290	-1,340	-1,380
Collection Funds' surplus	-606	0	0	0
Business Rates (net changes)	-365	-143	-138	-118
New Homes Bonus	-663	-834	-834	-834
Savings changes	-1,060	-1,060	-1,060	-1,060
Growth changes				
C. Execs – legal costs for Asset Investments	-65	-65	-65	-65
Deprivation of Liberty Safeguards (DOLS)	260	260	260	260
Funding of Future Developments	3,722	3,222	0	0
Revised Shortfall	**0**	**0**	**4,465**	**13,204**

14. The proposal to increase Core Council Tax by an additional 1%, to 2.99%, follows the change in the referendum principle for 2018/19 announced as part of the Local Government Finance Settlement. This will increase the Council Tax precept by £2.7m. It is proposed that this additional funding is invested as follows:

- Supporting Leicestershire Families (SLF): The current level of service is only possible due to earmarked funds and Government and partner contributions. If current commitments are not renewed the service will face a £2.3m per annum shortfall. Given the national uncertainty over what (if anything) will replace SLF funding an earmarked fund will be established to allow the transition to a new model when Government and partner funding intentions are known. One off contributions of £1m in 2018/19 and 2019/20 will be made to create a fund of £2m.

- Highways Maintenance £0.6m ongoing: Significant reductions have been made to Highways Maintenance budgets over the last 4 years, in total around £5m. Whilst the focus has been on efficiency measures there was always an expectation that service levels would reduce. To try and maintain service levels at the standard the County Council and the public would want there has been partial mitigation of reductions, in previous years, through the release of one-off funding from Council underspends. It is proposed that £0.6m is added to the Highways maintenance budget on an ongoing basis. This will support the targeting of pressure areas, for example pothole repairs, drainage works, gulley emptying, lining and signing.
- Inflation; £1.0m 2018/19, £1.1m 2019/20 ongoing. The MTFS assumes 2% for pay and 3% for prices. Current RPI is 4.1% and CPI 3.0%. In addition the proposed pay award equates to a c.5.5% increase over two years. Due to these pressures it is appropriate to increase the central contingency.
- Support Fund for Community Libraries £0.1m. Contribution to earmarked funds to extend County Council support.
- For 2019/20 the balance of funding (£0.2m) will contribute towards Future Developments. In 2021/22 the additional income will contribute to reducing the financial gap by £1.4m.

15. The profile of the Adult Social Care precept in the draft budget presented in December was 2% in 2018/19 and 2019/20. It is proposed to increase the precept by 1% in 2018/19 followed by a reduction of 1% in 2019/20. This will result in a revised profile of 3% in 2018/19 and 1% in 2019/20. This change will generate an additional £2.7m in 2018/19 only. It is proposed to invest this funding in Supported Living accommodation for working age adults.

16. Supported Living accommodation benefits both the individual, as a more personalised alternative to residential care, and the County Council, as a lower cost alternative. There is currently a waiting list for supported living accommodation and further demand expected from population growth and the desire to reduce use of residential and hospital placements. The funding generated by the precept will be earmarked for capital investment in increasing the supply of accommodation in the county, most likely under County Council ownership.

17. Other funding changes summarised in the table above relate to:

    - Council Tax Base – The initial forecast of 1.9% has been increased to 2.4% following updated tax base information received from the District Councils. This generates £1.2m more council tax income in 2018/19 than previously forecast.
    - Collection Funds' surplus – the forecast has increased by £0.6m to £3.6m following formal estimates provided by the billing authorities in mid-January 2018.

- Business Rates (net change). Values for “top-up” and “baseline” amounts have been updated to reflect the latest forecasts from the Department for Communities and Local Government (DCLG).
- New Homes Bonus – updated estimates per the provisional 2018/19 Settlement.

18. Following a review of the latest budget monitoring information additional savings of £1.1m have been included in the MTFS. The vast majority of this change relates to Adult Social Care, where demand management improvements have reduced growth pressures.

19. Growth pressures have also been reviewed, the primary change being the inclusion of £0.3m to replace a government grant, for Deprivation of Liberty Safeguards (DOLS). The grant was not renewed despite no reduction in the cost pressure in this area.

20. The balance of new resources has been allocated for funding future Developments (detailed in the Capital section of this report) in 2018/19 and 2019/20. It is expected that this will lead to revenue savings and investment income which will help to close the overall funding gap in later years.

21. The net additional resources available in later years have reduced the overall shortfall in the MTFS in 2021/22 to £13m.

Autumn Budget 2017

22. On 22nd November 2017 the Chancellor of the Exchequer delivered the Autumn Budget 2017. This was the first economic statement given by the Government since the general election.

23. It had been widely expected that economic growth forecasts would be reduced. The revised forecast reaches a maximum of 1.6% in 2022, meaning that for the first time in modern history the official UK GDP growth forecasts are below 2% every single year over the forecast horizon. The deterioration in growth is accompanied by additional expenditure; more for prisons and infrastructure in last year’s autumn statement, more for social care in the March budget, more for health and housing in this budget.

24. In the March 2016 Budget a surplus of £10 billion was projected for 2019/20. The revised expectation is for a £35 billion deficit in that year, leaving the Chancellor’s target of eliminating the deficit by the mid-2020s looking doubtful. Such a deterioration would normally be met with a new round of savings. In this budget the opposite is true with Government deciding not to proceed with its Efficiency Review. This does not signal the end of austerity, as the same financial pressures remain. It is likely to be the next Comprehensive Spending Review before Local Government funding beyond 2019/20 is known. Hence the assumption in the MTFS is that austerity will continue at the same rate.

25. Fair Funding or any Local Government funding was conspicuous by its absence in the Budget. The announcement of business rate retention pilots was confirmed to be part of the Local Government Settlement in December. However, it was announced that the London pilot will proceed, allowing the retention of growth generated in 2018/19 (£240m).

26. The increase in the National Living Wage (NLW) from £7.50 per hour to £7.83 per hour from April 2018 was in line with expectations. The forecast for 2020, when the NLW will reach 60% of median earnings, is £8.61per hour.

27. The Chancellor confirmed the relaxing of the 1% pay rise cap, although if Local Government employers move from this position no additional funding will be available. The MTFS assumes a 2% increase for all four years.

28. Additional investment in housing and infrastructure could benefit the County Council through additional opportunities to secure funding for local schemes. However, this is expected to be awarded through competitive processes and areas with devolution deals are likely to be preferred.

29. To encourage owners of empty homes to bring their properties back into use local authorities will be able to increase the council tax premium from 50% to 100%.

<u>Local Government Finance Settlement</u>

30. The Provisional Local Government Finance Settlement was issued by the Government on 19th December 2017. The key issues are set out below:

- Government has confirmed that the third year (2018/19) of the four year settlement (2016-20) will be honoured for all authorities which accepted the multi-year offer, which included the County Council. A new funding methodology is expected to be in place following this in 2020/21.
- The multi-year settlement offer only relates to Revenue Support Grant (RSG) and Transitional Grant. Funding for services received through specific grants is not covered, for example: High Needs funding (Dedicated Schools Grant), the Better Care Fund, Public Health Grant and all capital grants.
- Business Rate Pilot: The most disappointing aspect of the settlement is the bid to form a Leicester and Leicestershire Pilot proved unsuccessful. The area could have kept additional income of around £19m, which was to be invested in infrastructure, the city and town centres and in invest to save initiatives. The successful Pilot bids were: Berkshire, Derbyshire, Devon, Gloucestershire, Kent & Medway, Leeds, Lincolnshire, Solent, Suffolk, Surrey and London.
- Negative RSG: DCLG will be looking at fair and affordable options for dealing with “Negative RSG” and will formally consult on proposals in the spring so that the findings are included in next year’s Settlement. In 2019/20 the County Council has negative RSG of £2m. Any benefit is only expected for one year due to the implementation of a new funding methodology expected in 2020/21.

- Council Tax: Increase in the “core” referendum principle from 2% to 3% for 2018/19 and 2019/20. The initial budget proposals were based on 2% and the revised budget proposal is based on 3%. Each 1% of council tax equals £2.7m. There is also a £12 Council Tax flexibility for police services. The Adult Social Care precept rules are unchanged, allowing the County Council to raise a maximum of 4% in the period 2018/19 to 2019/20.
- New Homes Bonus Grant: No changes to the arrangements already announced, to provide “continuity”. The baseline is maintained at 0.4% and payment years will be reduced from 5 to 4 in 2018/19.
- Adult Social Care: A green paper on future challenges within adult social care will be published in the summer of 2018.
- Fair Funding Review: DCLG has published a consultation on the approach to developing a new funding methodology from 2020/21.
- Business Rate Retention: local share to increase from 50% to 75%, and will include transfer of public health and other grants. Again to be implemented from 2020/21.
- Transition Grant: There was no mention of an extension of transition grant; the County Council received £3.3m in 2016/17 and 2017/18.

Revenue Support Grant and Spending Power

31. The funding projections to 2019/20 in the four-year 2017-20 Settlement are based around projections of RSG, Business Rates and Council Tax income. The focus has been placed on giving authorities in the same class (e.g. County, District, Unitary) the same overall changes to these elements of core funding. This means that those authorities where RSG is a lower proportion of their total funding will suffer larger reductions in RSG. This will lead to many authorities, including the County Council, losing all of their RSG by 2019/20, with some having no RSG as early as 2017/18. Once RSG has been removed the DCLG proposes to adjust Business Rates Top-up /Tariff amounts to reduce an authority’s funding to the target level (this adjustment is referred to as “negative RSG). As a consequence the County Council is due to lose £2.1m from its Top-Up in 2019/20. In the absence of specific Government guidance the MTFS assumes that this will continue with further reductions to the Top-Up of £10.7m in both 2020/21 and 2021/22.

32. The inherent problem with the current Government methodology to setting funding is that it takes no account of the relative funding position of individual authorities. The County Council has been historically underfunded in comparison with other authorities, including other counties.

33. The overall impact of the 2016/17 Settlement on the forecast RSG is set out below. The County Council will cease to receive any RSG by 2019/20:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Revenue Support Grant	37.0	19.5	8.5	0.0	0.0
% reduction	-34%	-47%	-56%	-100%	n/a

34. The elements of core spending power from the provisional 2018/19 Settlement are shown below:

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Settlement Funding Assessment (RSG and Business Rates)	115.9	93.6	77.3	68.1	58.7
Under-indexing of the business rates multiplier	0.8	0.8	0.8	1.2	1.9
Council Tax*	233.4	242.8	253.1	265.9	279.4
2% Council Tax for Social Care**		4.8	10.0	18.6	22.4
Improved Better Care Fund***	0.0	0.0	9.5	12.4	14.7
New Homes Bonus	3.3	4.3	4.1	3.6	3.7
Transition Grant	0.0	3.3	3.3	0.0	0.0
Adult Social Care Support Grant	0.0	0.0	2.4	0.0	0.0
Core Spending Power	353.4	349.6	360.5	369.8	380.8

*DCLG forecasts of Council tax and Council tax base increases, which are different to those used by the County Council.
** DCLG forecasts for Social Care Precept assume 3% in 2018/19 and 1% in 2019/20.
*** Improved Better Care Fund includes additional funding announced in Spring Budget 2017.

35. The table shows that after a reduction in 2016/17, 'core spending power' is expected to increase in cash terms by £27.4m (7.7%) by 2019/20. With inflation currently running at 3% per annum, this represents a real terms decrease.

Fair Funding

36. The Government has announced that it is revising the way in which local government funding is calculated, with the aim of having a new system in place by 2020/21. Analysis undertaken by the County Council shows that Leicestershire is the lowest funded county area in England and one of the lowest funded areas in the whole country. If Leicestershire was funded at the same level as the London Borough of Camden an additional £350m of funding would be received each year.

37. This low funded position means that the scope to make savings is severely limited compared to other authorities. The County Council has developed an alternative, fairer, way of distributing resources and continues to lobby the Government to adopt this. Lincolnshire, Kent, North Yorkshire, Worcestershire, Cambridgeshire and Essex – among the 25 lowest funded councils in the country - are lending their support. Cross-party support group the County Councils Network (CCN) is also backing the campaign for local government funding reform.

38. The Government issued a technical consultation on fair funding on 19 December 2017 with a closing date of 12th March 2018. A report containing the proposed response will be presented to the Cabinet.

Business Rates Retention Scheme

39. The Provisional Settlement issued by the Government in December 2017 includes uplifts to Business Rates “Top-Up” and “Baseline” figures of 3.0% in 2018/19 and 2.2% in 2019/20. The baseline is the County Council’s share (9%) of business rates generated locally and the top-up is allocated to the County Council to compensate for the small baseline allocation. The MTFS includes an assumption that the Baseline and Top-Up will increase by around 2% in 2020/21 and 2021/22, as the Government has switched from using the Retail Prices Index (RPI) to the Consumer Price Index (CPI) as the basis of business rates inflation from 2018. It is anticipated that the government will reset baselines in 2020/21.

40. The forecasts used in the MTFS are set out below:

	2018/19 £m	2019/20 £m	2020/21 £m	2020/21 £m
Business Rates ‘Top-Up’	38.8	39.6	40.4	41.3
‘Top-Up’ adjustment	0.0	-2.1	-12.8	-23.5
Business Rates ‘Baseline’*	22.3	22.8	23.3	23.7
S31 grants - Business Rates	2.3	2.9	2.9	2.9
Total	63.4	63.2	53.8	44.4

*Business Rates Baseline is forecast to be £1.6m higher than the amount used by DCLG in calculating the ‘spending power’.

Business Rates Pooling

41. The Government introduced the Business Rates Retention system from April 2013 and as part of these changes Local Authorities were able to enter into Pools for levy and safety net purposes.

42. In 2017/18 the County Council along with Leicester City Council, the Combined Fire Authority and all seven Leicestershire District Councils continued the ‘Leicester and Leicestershire Pool’. The latest estimates for the Pool show a potential surplus of £4.7m. This will be retained locally rather than being returned to the Government as would have been the case if no Pool had existed. The current pooling agreement between the partners allows the surplus to be provided to the Leicester and Leicestershire Enterprise Partnership (LLEP) for investment in the wider sub-regional area.

43. Modelling of the Pool for 2018/19 showed a forecast surplus of £6.0m and consequently the partners have decided to continue with the Pool for 2018/19.

100% Business Rate Retention

44. On 1st September 2017 DCLG announced plans to extend its 100% business rates retention pilot programme for 2018/19. There are five current 100% pilots which have been in operation since 1st April 2017.

45. The Government announced the successful pilot bids alongside the Local Government Settlement on 19 December 2017. Ten pilot bids were accepted, along with a pilot for London. However, the Leicestershire bid proved unsuccessful. The Government intends to continue with pilots for 2019/20 and the Pool partners will need to consider if a pilot bid for 2019/20 should be made in autumn 2018.

Council Tax

46. The change in Council Tax increase since the draft MTFS, proposed in December 2017, is shown in the table below:

	2018/19	**2019/20**
Core	1.99%	1.99%
ASC precept	2.00%	2.00%
Total per December 2017 draft	3.99%	3.99%
Core	2.99%	1.99%
ASC precept	3.00%	1.00%
Total per current proposal	5.99%	2.99%

47. The MTFS proposes a 5.99% increase in 2018/19, reflecting the change in the Provisional Local Government Settlement to allow a 1% increase in the referendum “core principle” element, and also a change in the phasing of the Adult Social Care precept to 3% in 2018/19 and 1% in 2019/20.

48. The Localism Act 2011 provides for residents to instigate local referendums on any local issue and the power to veto excessive Council Tax increases. The Provisional 2018/19 Local Government Finance Settlement included an increase in the threshold in 2018/19 to 3% and an indication that the threshold for 2019/20 will also be around 3%, subject to inflation.

49. Local authorities responsible for delivering adult social care are allowed to raise an additional precept to be used entirely for adult social care. This is in addition to the current council tax referendum threshold. The 2017/18 Settlement included flexibility to allow local authorities to make increases of 3% in 2017/18 and 2018/19, but the increases over 2017/18 to 2019/20 could not exceed 6%. Beyond 2019/20 there is uncertainty about the ability to increase the adult social care precept.

50. The MTFS includes a Council Tax Base increase of 2.38% in 2018/19 and an assumption that future years' growth will be around 1.5% each year. The increase of 2.38% in 2018/19 reflects the updating of estimates for new properties by some of the Districts, following the request from the County Council for a review of council tax to be undertaken.

51. The District Councils have provided a formal estimate for the Council Tax Collection Fund surplus of £3.6m. This income has been reflected in the 2018/19 budget and is £0.6m higher than the previous forecast made at the end of September 2017. The Council has encouraged the District Councils to ensure that estimates are more accurate than they have been in the past.

2018/19 - 2021/22 Budget

52. The provisional detailed four-year MTFS, excluding Dedicated Schools Grant (DSG), is set out in Appendix B and is summarised in the table below. The provisional 2018/19 budget excluding DSG is detailed in Appendix A.

Provisional Budget	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Services including inflation	322.0	340.2	354.4	367.0
Add growth	14.3	10.5	7.9	8.5
Less savings	-16.0	-8.8	-3.7	-2.8
	320.3	341.9	358.6	372.7
Central Items	41.0	19.8	12.6	4.7
Less savings	-0.3	-0.1	-4.0	0.0
Total Expenditure	**361.0**	**361.6**	**367.2**	**377.4**
Funding				
Revenue Support Grant	-8.5	0.0	0.0	0.0
Business Rates	-63.4	-63.2	-53.8	-44.4
Council Tax*	-289.1	-298.4	-308.9	-319.8
Total Funding	**-361.0**	**-361.6**	**-362.7**	**-364.2**
Shortfall	**0.0**	**0.0**	**4.5**	**13.2**

*includes £1.3m saving in 2018/19

53. The MTFS is balanced in 2018/19 and 2019/20 and shows shortfalls of £4.5m in 2020/21 rising to £13.2m in 2021/22. As set out in paragraph 59 there is a range of initiatives currently being developed that will aim to bridge the gap.

Savings and Transformation

54. Savings of £37m have been identified, with £17.6m to be delivered in 2018/19, more are expected over the next four years 2018-22. This is a challenging task given that savings of £178m have already been delivered over the last eight years. The new savings are shown in Appendix C and further details of savings have been set out in the reports to the Overview and Scrutiny Committees in January.

55. The main four-year savings are:

- Children and Family Services (£6.6m). This includes savings from increasing internal foster care provision and reviewing early help services.
- Adults and Communities (£9.7m). This includes managing demand and reducing costs of social care by reviewing personal budget allocations and contracts and by promoting independence.
- Public Health (£1.3m). This includes savings from reviewing early help and prevention services.
- Environment and Transport (£7.1m). Savings will be delivered through a revised approach to Highways Maintenance, reviewing contracts, service reviews, the continued roll-out of the LED street lighting programme, a revised model for Recycling and Household Waste Sites (RHWS) and a revised payment mechanism for recycling credits. Review of parking restrictions in town centres, effect on residents and impact of yellow lines (£0.6m). This includes reviewing on street parking charges in town centres.
- Chief Executive's Department (£0.6m). This includes service reviews and a review of funding for economic development activity.
- Corporate Resources (£5.4m). This includes reviews of all support services e.g. Property, Traded Services, ICT, Human Resources and Finance and an increased contribution from Commercial Services.
- Corporate/ Central Items (£6.2m). This includes savings from a revised Minimum Revenue Provision and a review of council tax.

56. Of the £37m identified savings efficiency savings account for £26m, and can be grouped into four main types*:*

a) Reductions in senior management and administration (£2m)
b) Better commissioning and procurement (£14m)
c) Service re-design (£6m)
d) Other (£4m)

57. It is estimated that the proposals will lead to a reduction of up to 300 posts (full time equivalents) over the four-year period. However, it is expected that the number of compulsory redundancies will be lower, given the scope to manage the position over the period through staff turnover and vacancy control.

58. Further savings will be required to close the budget shortfall of £4.5m in 2020/21 rising to £13.2m in 2021/22.

59. To help bridge the gap a number of initiatives are under development to generate further savings. Once business cases have been completed savings will be confirmed and included in a future MTFS. The initiatives are:

- Fostering Service – review of recruitment and support for in-house fostering.
- Lower cost adult social care provision – review of different models.
- Place to live – fully integrated care pathways for working age adults with disabilities.

- Home First – care for people at home wherever possible to prevent hospital admissions and ensure timely discharge from hospital.
- Adult Social Care – develop a new Operating Model to deliver a more efficient and effective service.
- Future Residual Waste Strategy – review of disposal contracts.
- Highways Delivery Model – review of alternative delivery models.
- Highways Income Generation/Section 278 – explore options for increased efficiency and to delivering a new approach around section 278 agreements.
- Reuse – increase levels of reuse of county waste.
- Recycling and Household Waste Sites – investigation of any further potential benefits following the insourcing of RHWS sites and review of current provision.
- Corporate Asset Investment Fund – further investment, leading to benefits to the local economy and generation of additional income.
- IT & Digital Strategy Implementation – more efficient and effective Council services.
- Commercialism – review of new opportunities to trade and create a more commercial culture across the Council.
- Property Initiatives – maximise the use of buildings and reduce accommodation costs.
- People and Performance Management – review use of the new Apprenticeship Levy and expenditure on agency workers.
- Fit for the Future – replace existing Oracle ERP system and improve working practices of ICT, Finance, HR, Procurement and East Midlands Shared Services (EMSS).
- Financial Arrangements – review how future liabilities are provided for.
- 0-19 Health Visiting and School Nurse service – explore new ways of delivery.
- Integrated Lifestyles – combining aspects of delivery of lifestyle services.
- Schools Offer – explore which services delivered to schools could be suitable for a traded offer.

60. The development and ultimately the achievement of these savings will be extremely challenging and will require focus, discipline and innovation. The Transformation Programme will continue to have a key role in supporting the delivery of these savings. Further information is provided in Appendix D.

61. The County Council has only been able to combine high performance across services with a low funding position by being one of the most productive councils in the country. This was confirmed in December by a publication released by iMPOWER, an independent consultancy. This identified the County Council as the most productive council in the country, following a comparison of expenditure with a range of outcome measures.

Transforming the Way We Work

62. Since its inception in 2014, over £35m of savings have been delivered through the Transformation Programme. The programme has since been refreshed twice and as at November 2017 contains savings initiatives totalling £28.1m. This will be further affected by the MTFS refresh to 2021/22 and the implementation of the new Strategic Plan for the County Council.

63. The implementation of the County Council's Strategic Plan provides an opportunity to renew the focus on the Council's strategic priority outcomes and to align investment, productivity and performance to delivering these outcomes.

64. Ensuring the Transformation Programme reflects these new priorities for the County Council will help to continue the pursuit of service delivery and efficiency savings, but also to ensure the aligned investment of effort and resources towards ensuring 'a sustainable and successful organisation leading modern, highly effective services'.

65. A new portfolio of transformation will also account for the need for more effective support and challenge to commissioning intentions within the County Council's services. Outcome-based reporting has the potential to enable evidence-based change to reduce the cost of commissioned services and to maximise the value of all the organisation's resources.

66. Work is underway to determine the full scope of transformation activity which will see the organisation move from its current operating model to that necessary under the Strategic Plan. A new Transformation programme will embrace the funding challenges within the MTFS and seek to support planned activity under the organisation's various priorities, including strategies for embracing opportunities for new ways of working digitally and commercially and how the County Council will work with communities across the County.

Growth

67. Over the period of the MTFS, growth of £41.2m is required to meet demand and cost pressures with £14.3m required in 2018/19. The main elements of growth are:
    - Children and Family Services (£17.5m). This is mainly due to pressures on the placements budget and social work teams from increased numbers of looked after children.
    - Adult Social Care (£10.1m). This is largely the result of increasing numbers of people with learning disabilities and an ageing population with increasing care needs.
    - Public Health (£1.4m). This is mainly due to reductions in the Public Health specific grant.
    - Environment and Transport (£3.3m). This primarily relates to increased numbers of clients and costs on the Special Educational Needs (SEN) Transport budget and to projected increases in household waste due to population and economic growth.

- Corporate Growth (£8.5m). This has been included to act as a contingency for potential further cost pressures, based upon historic levels of growth.

68. There are significant financial pressures within the Children and Family Services budget in respect of the cost of placements for looked after children and investment in staffing through additional posts and agency social workers to address issues identified by the Ofsted inspection. This financial pressure on the County Council's children's social care budget is reflective of the national position.

69. The number of placements for looked after children continue to grow with numbers expected to increase by circa 7.5% per year over the four year period of the MTFS. This equates to an additional cost of £15m in 2021/22. Leicestershire had 37 looked after children per 10,000 population, which is lower than the statistical neighbour average of 51, East Midlands average of 55 and England average of 62. It is estimated that over the MTFS period growth in the numbers will be encountered that will result in Leicestershire becoming in line with the statistical neighbour average.

70. The other significant element of growth relates to the social care workforce, £3m. This is to recruit additional social workers, allow for higher agency costs and introduce a market place premium to attract social workers to Leicestershire.

71. Details of growth to meet spending pressures are shown in Appendix C to this report.

<u>Inflation</u>

72. The Government's preferred measure of inflation is the Consumer Price Index (CPI). In December 2017 this was 3.0% and the Office for Budget Responsibility (OBR) predicts it will reduce to around 2.4% in 2018/19 and to 1.9% in 2019/20 before increasing slightly to 2.0% in 2020/21 and 2021/22. The OBR predicts that the Retail Prices Index (RPI) will be approximately 1% higher than CPI over this period. The MTFS assumes 3% per annum inflation over the period 2018/19 to 2021/22. However, the Council's cost base does not always reflect these household inflation measures, for example energy and fuel increases have a much more significant impact on its procurement. More recently, social care costs have been driven up by the introduction of the NLW, for which an additional provision has been made.

73. Local Government employers made a two-year pay offer on 5 December 2017 of 2% for each year 2018/19 and 2019/20. The pay offer includes larger increases for the lower scale points (between 3.7% and 9.2% in 2018/19) and a revised lower pay spine from April 2019, with the first 12 national pay points being merged into 6 new pay points. A contingency of 2.0% had been included in the MTFS for pay awards from 2018/19 onwards and an additional allowance had been made for the impact of the NLW on lower scale points. However the pay offer was higher than anticipated and an additional £1m has been added to the contingency to meet the higher costs.

74. The central inflation contingency includes provision for an increase of 1% each year in the employer's pension contribution rate.

75. Detailed service budgets for 2018/19 have been compiled on the basis of no pay or price increases. A central contingency for inflation is held so that funding can be allocated to services as necessary.

Central Items

76. Bank and other interest is budgeted at £2.3m in 2018/19 and later years. This reflects the expectation that Bank of England base rates will remain at a low level for the foreseeable future.

77. Capital financing costs are expected to decrease to £19.3m per annum in 2021/22 (from £22.8m in 2017/18), mainly as a result of the proposed change to the minimum revenue provision.

78. The budget includes time-limited provision for revenue funding of capital expenditure, mainly for the corporate asset investment fund and funding of Future Developments, as described later in the report, of £28.5m in 2018/19, £13.4m in 2019/20, £5.7m in 2020/21 and £1.7m in 2021/22.

79. Capital financing costs include debt interest on loans outstanding and an amount set aside to repay debt principal on maturity, called the minimum revenue provision (MRP). The current policy is to charge MRP on borrowing supported by the Government at a rate of 4% per annum. This equates to approximately £10.5m per annum. The 4% relates to the rate at which the Government provided support to the Authority through RSG.

80. Following changes to the legislation governing MRP and the reductions in RSG it is no longer possible to demonstrate that Government support is maintained at 4% per annum. This allows the annual MRP charge to be rebased to a period more commensurate with the useful service life of the assets purchased.

81. A high level review shows that based on the average remaining economic life of assets held it is possible to revise the MRP calculation to circa 2.5% per annum which would reduce the MRP charge to around £6.5m per annum. It should be noted that a revised approach does not change the overall amount of MRP payable, the same amount is simply repaid over a longer period of time. A saving of £4m has been included in the MTFS from 2020/21.

Health and Social Care Integration

82. Health and Social Care Integration continues to be a top priority for both the County Council and its NHS partners. Developing effective ways to co-ordinate care and integrate services around the person is seen nationally and locally as key to improving outcomes and ensuring high quality and sustainable services for the future. The Government's expectation is that every part of the country has a plan for health and social care integration to be implemented by 2020/21.

83. NHS planning guidance directs the progression of the health and care integration agenda via Sustainability and Transformation Plans (STPs – see below) which need to demonstrate how the new models of care proposed in the NHS England Five Year Forward View will be accelerated and implemented. The local STP footprint covers the geographical area of Leicester, Leicestershire and Rutland (LLR). The Leicestershire Better Care Fund (BCF) has been constructed to support this agenda.

84. It was announced in the Spring 2017 budget that the Government would make available an additional one-off allocation of £2bn nationally over the next three years to meet adult social care need, assist in alleviating pressures on the NHS, with particular emphasis on transfers of care from hospital, and help to stabilise the social care provider market. The County Council's allocation (£19.7m) has been split between directly supporting BCF initiatives (£11.5m) and providing funding for social care costs (£8.2m).

85. Part of Leicestershire's BCF allocation continues to be allocated towards the protection of adult social care services. This is currently £17m to ensure that the needs of the most vulnerable residents are met. Approximately £5m of other BCF funding is received by the County Council for other social care components of the BCF plan.

86. In 2018/19 the County Council will receive £5.6m from the Improved Better Care Fund, rising to £11.4m from 2019/20. This is assumed to be ongoing. In total the County Council will have £33m of BCF Plan funding incorporated into the base budget from 2019/20. Only a minimal amount of related expenditure could easily be stopped should this funding be reduced or removed, presenting a risk to both service delivery and the financial balance of the MTFS.

87. National conditions in the BCF Policy Framework 2017/18 – 2018/19 set out a DTOC national target. DTOC performance in Leicestershire is improving but the target is not expected to be achieved until spring 2018. Despite this it should be recognised that DTOC performance, in Leicestershire, is above average and social care performance is in the top quartile. Government have confirmed that the progress achieved to date is sufficient to justify no change to the 2018/19 additional allocation of BCF funding outlined in paragraph 84, leaving only £3.4m at risk in 2019/20.

Sustainability and Transformation Plan (STP)

88. STP analysis has identified a funding gap across the Leicester, Leicestershire and Rutland local health and social care economy of £400m by 2020/21 if no action is taken to improve delivery and manage demand.

89. The STP aims to address the way in which health and care services are delivered to meet the needs of local people, while at the same time ensuring that the current financial pressures faced are effectively managed.

90. As interventions are focussed towards prevention, avoided hospital admissions, a ‘home first’ model of care and greater integration across social care, community health care and primary care, it has been recognised that this will affect demand for social care support, public health interventions and community services. The three LLR BCF funds are a key enabler to the delivery of the LLR STP.

91. However the full implications of the STP for the County Council (and for service users) need to be identified and addressed in order to manage the increased pressure on resources and to allow for planning to meet this additional demand. The Plan is due to be published by the local NHS later this year.

92. To date there are no additional County Council funds identified beyond those set out in the BCF plan, to resource the STP. However, there is a commitment to ensure a system-wide response, by all partners, to meeting changes in demand across the sector that may enable further funding transfers from the NHS to local authorities with social care responsibilities.

Other Grants and Funds

93. There are a number of other specific grants that are still to be announced, none of which are protected by the four-year local government finance settlement, for example:

- Public Health – the 2018/19 allocation of £24.9m is a 2.6% reduction on the 2017/18 level, as expected.
- Skills Funding Agency – £4m in 2017/18, no details have been received for the 2018/19 academic year.
- Section 31 Business Rates (Government funding for 2% cap on business rates growth and other Government measures) – an estimate of £2.3m has been included in the MTFS.
- Independent Living Fund. This grant totalled £1.3m in previous years. Figures have been agreed for 2018/19 (£1.2m) and 2019/20 (£1.16m).
- Extended Rights to Free Travel – £0.4m has been included, based on a provisional notification from the Government.
- Ministry of Justice Grants – details not yet known.
- Troubled Families Grant (see below) – to be confirmed.
- Special Educational Needs and Disabilities (SEND) Reform Grant – £0.3m, in line with expectations.
- High Needs Dedicated Schools Grant – provisional settlement, final expected in March 2018.
- Early Years Dedicated Schools Grant – provisional settlement, final expected in May 2019 when the final census data is known.
- New Homes Bonus – provisional estimates from the Provisional Settlement of £3.6m for 2018/19 and £3.7m for 2019/20.

94. The Supporting Leicestershire Families (SLF) programme is currently funded through a combination of the revenue budget, contributions from County Council earmarked funds, partner funding and the Government’s Troubled Families grant. During the MTFS contributions from earmarked funds will be

extinguished, savings are required as part of the Review of Early Help, and there are uncertainties over future partner contributions and grant funding. It is expected that partner and Government contributions will cease after current commitments have been met. This equates to a loss of £2.3m of income. The MTFS includes setting aside £2m in an earmarked fund to allow the transition to a new model when Government and partner funding intentions are known.

Dedicated Schools Grant Settlement 2018/19

95. There are significant changes to Schools and High Needs Blocks of the Dedicated Schools Grant (DSG) for 2018/19 which moves to a formulaic allocation for the first time and includes the addition of a Central Services Block.

Schools Block

96. For 2018/19 and 2019/20 a 'soft' formula will be in place. This describes a situation whereby notional school allocations are calculated at a national level based upon pupil characteristics. Local authorities will then apply their own local funding formula to generate individual school budgets.

97. The 2018/19 Schools Block DSG settlement to local authorities will be a value per primary and secondary pupil based upon pupil characteristics recorded within the October 2016 school census plus a fixed sum for school-led factors. The figures confirmed for Leicestershire are;

2018/19 DSG	
Number of Primary Pupils x	£3,783
+	
Number of Secondary Pupils x	£4,730
+	
Funding for school led factors – Rent / Rates / New School Growth	Per 2017/18 expenditure
=	
Total DSG	**£380.1m**

98. The final DSG settlement issued in December at £380.1m is an increase of £17.0m compared with 2017/18 (4.7%). This is as a result of increases in pupil numbers. The funding rate per pupil is unchanged.

99. The County Council has worked with a group of school representatives and the Schools Forum to develop a formula which was subject to consultation with all maintained schools and academies prior to approval by the Cabinet on 9 January 2018.

100. Consultation was undertaken on 2016 school census data. However school budgets must be driven by the pupil characteristics identified within the 2017 census. Remodelling the formula for the updated pupil data identified that the proposal to rebalance the formula on the Age Weighted Pupil Unit (AWPU)

required a significant adjustment for 2018/19 and was not the optimal solution. To mitigate this, for 2018/19, there is a positive adjustment which has been enacted by an increase in the ceiling to 3.2% (3% within the National Funding Formula)

High Needs

101. The High Needs formula allocates funding across a set of pupil related indicators and also includes an allocation based on current spend. For Leicestershire this results in a minor increase in funding but includes circa £4m of protection funding, which is not guaranteed in the long term. The December 2017 consultation indicated that the formula would be reviewed in 4 years and DfE officials have informally stated that the formula, including the protection, will remain until such point it is reviewed. However it is essential that a financial strategy, including the development of a contingency, is established.

102. The following table sets out the summarised income and expenditure position based on current estimated service demand:

	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**
High Needs Placements	60,317	60,365	60,923	61,366
Other High Needs Costs	6,062	6,211	6,211	6,211
Total High Needs Expenditure	**66,379**	**66,576**	**67,134**	**67,577**
High Needs Grant and other income	(65,362)	(64,844)	(65,146)	(65,146)
Savings Requirement	1,017	1,732	1,988	2,431

103. The introduction of the High Needs Funding Formula for 2018/19 introduces a baseline change and funding for SEN Units in mainstream schools is transferred to the Schools Block and accounts for the decrease in the high needs grant for 2018/19.

104. The final High Needs DSG is not expected to be announced until March 2018. Whilst it is not possible to precisely determine the savings on a service-by-service basis there are three key areas where savings are being explored;

- SEN Placements – a number of activities will contribute to the savings requirement. Additional local provision for pupils with autism is under development at a lower cost than those within the independent sector. In addition the Department through its commissioning strategy is engaging and challenging providers to ensure that pupil needs are met and value for money is provided.

- Specialist Teaching Services – the services have been reviewed and an HR action plan will be launched in February 2018.

- Children with Medical Needs – the Department is exploring alternative service models to meet the needs of children who are unable to attend school on medical grounds.

105. The High Needs Inclusion Project is charged with identifying long term and sustainable solutions that ensure that the level of expenditure can be contained within the High Needs Grant both in the short term, whilst the grant is relatively stable, and in the longer term should the level of protection within the current system be reduced. The loss of protection would increase the savings requirement from £2.4m to £6.4m.

106. The High Needs Project Board has already implemented a number of changes leading to a reduction in the overspend on the High Needs Block. These include more robust assessment of need, leading to children being placed in appropriate more cost-effective provision, and the development of local lower cost autism provision.

107. The SEND Strategy is currently under development and will set out a number of areas of development. A key area which will contribute to the savings and a robust financial strategy for the High Needs block is improving the quality and sufficiency of SEND education provision and services. This will be achieved through supporting mainstream schools and settings to develop their SEN provision alongside developing local specialist services to ensure sufficiency of places across a continuum of needs.

108. The Department is currently reviewing the structure and service offer within Specialist Teaching Services, which will also consider the future model for early years provision and for pre-school children with special educational needs and disability. An action plan is due to be launched in February 2018.

<u>Central Services Block</u>

109. the Central Services Block will fund a number of school related expenditure items such as existing school based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic costs.

110. For 2018/19 this block will also include funding for the retained duties that local authorities have for statutory duties for all schools such as ensuring sufficient supply of school places.

Year	**Historic commitments**	**On-going Functions**	**Total**	**Overall Change**
2017/18	£1.0m	£2.1m	£3.1m	
2018/19	£1.0m	£2.2m	£3.2m	+ 1.8%
2019/20	£1.0m	£2.3m	£3.3m	+ 3.4%

Early Years Block

111. There are no changes to the Early Years Block. Grant remains determined by the number of children participating in early years education. The funding will support the first full year of the 30 hours FEEE which was introduced nationally in September 2017 for eligible parents and continued delivery of the early years offer for disadvantaged two year olds.

Adequacy of Earmarked Funds and Robustness of Estimates

112. The Local Government Act 2003 requires the Director of Finance to report on:

a) The adequacy of reserves, and
b) The robustness of the estimates included in the budget.

113. This is the ninth austerity budget for the County Council. The financial environment continues to be challenging with a number of known major risks over the next few years. These include:

- Non-achievement of savings and income targets. The requirement for savings and additional income totals £50m over the next four years of which £13m is unidentified. Successful delivery of savings is dependent upon a range of factors, not all of which are in the control of the County Council.
- The financial positions of Health and Social Care are intrinsically linked and of growing importance. In common with the County Council the Clinical Commissioning Groups (CCGs) are struggling to produce a balanced budget, although their problems may be more pressing. The implications for the County Council could be reductions in the funding received through the BCF (£30m+) and additional costs as a result of changes in the NHS, such as the Transforming Care programme that will move more care into the community.
- Service pressures resulting in an overspend, including demand-led children's and adult social care, particularly on the children's social care and SEN placements budget.
- The strength of the economy dictates the funding of the public sector. Both directly through council tax and business rate income and indirectly through the influence on Government funding decisions. Growth in the UK economy has slowed; the implications for the County Council will depend upon how long this reduced level of growth persists.
- The increasing reliance on income generated from services in other parts of the public sector. Given the much tighter financial environment for the sector it will be challenging to maintain or keep increasing income.
- Inflation is higher than the Bank of England's 2% target, which will have a direct impact on the cost of goods and services procured by the County Council and could also influence the rate at which the National Living Wage increases.
- Coinciding with the end of the current Parliament, 2020 is a year which could see the biggest changes to local government for a generation. The

following initiatives, that lack any real detail, are all planned to be implemented in that year:

(a) 75% Business Rate retention, including significant new responsibilities.
(b) Fair Funding Review, covering redistribution of funding nationally.
(c) Health Integration plans implemented.

114. The postponed Care Act measures, including the cap on individual contributions, are no longer expected to be implemented in 2020. Instead the Government will indicate its intentions through a green paper on care and support for older people by summer 2018. The paper will set out plans for how government proposes to improve care and support for older people and tackle the challenge of an ageing population. Unfortunately this will not address the significant pressures being experienced in children's social care and care for working age adults.

115. There are a number of ways that risks will be mitigated and reduced. These are summarised below and explained in more detail in the following paragraphs:
- General Fund
- MTFS Contingencies
- Earmarked funds
- Effective risk management arrangements.

General Fund / MTFS Contingencies

116. The General Fund balance is available for unforeseen risks (e.g. extreme flooding or historic claims). The forecast balance on the General Fund (non-earmarked fund) at the end of 2017/18 is £14.8m which represents 4.1% of the net budget (excluding schools' delegated budgets). To put the level of resources into context, with the exclusion of schools, the County Council spends nearly £50m a month. The current policy is to hold a balance on the General Fund in the range of 4% - 5%.

117. There is a very real potential for the County Council to encounter a significant on-going issue for which no specific financial provision has been made. This is evidenced by the emergence of several authorities who are facing real difficulties in balancing their budget in a sensible way. To reduce the potential for the County Council to fall into this category the MTFS includes a contingency for risks and uncertainties of £8m from 2019/20. There is no contingency in the first year to reflect the greater, comparative, level of comfort over the financial assumptions for 2018/19. Examples of requirements of the contingency are set out in paragraph 113.

Earmarked Funds

118. A detailed review of the Council's earmarked funds was undertaken and reported to the Scrutiny Commission on 15th November 2017. As part of the MTFS this work has been refreshed as at the end of December 2017. The main changes are the release of unallocated funds from insurance (£3.0m) and C&FS developments earmarked funds (£1.2m). The funding released has been transferred to the Future Developments fund.

119. The estimated balance for revenue earmarked funds (excluding schools and partnerships) as at 31st March 2018 is £31.4m and for capital funding purposes £76.7m, details of which are shown in Appendix J. The final level of earmarked funds will be subject to the actual expenditure and any partner contributions, e.g. health funding arrangements and specific grants.

120. Earmarked funds and balances are held for specific purposes. The main earmarked funds and balances projected at 31st March 2018 are:

(a) Future Developments (£20.9m). This fund holds the balance of contributions that will be used to fund future developments, mainly capital projects, as they are approved.
(b) Capital Financing (£55.8m). This fund is used to hold MTFS revenue contributions to match the timing of capital expenditure in the capital programme.
(c) Transformation (£13.9m). The fund is used to invest in transformation projects to achieve efficiency savings and also to fund severance costs.
(d) Insurance (£12.1m). Funds are held to meet the estimated cost of future claims to enable the County Council to meet excesses not covered by insurance policies. The levels are informed by recommendations by independent advisors. The earmarked funds also include funding for uninsured losses (£5.0m). This is mainly held to meet additional liabilities arising from Municipal Mutual Insurance Ltd (MMI) that is subject to a run-off of claims following liquidation in 1992 and also of other failed insurers such as The Independent Insurance Company.

121. The extent to which the earmarked funds and balances will be used in the medium term has also been estimated. The MTFS includes using earmarked funds and balances totalling £68m over the next four years, the main areas are summarised below:

- £37.9m Capital Financing and future Developments
- £10.9m Transformation
- £5.2m Renewal of Systems, equipment and Vehicles
- £3.5m Investment in Broadband

122. It is likely that the balance of the Future Development reserve will be spent, but this has not yet been allocated to specific schemes to provide a phasing.

123. KPMG, the County Councils external auditor, has reviewed the level of earmarked and non-earmarked funds held by the County Council as part of their Value for Money review of the 2017-21 MTFS. They reported that given the uncertainties and service pressures that lie ahead, the overall level of earmarked and non-earmarked funds held is appropriate for the size of the organisation.

School Balances

124. Balances are also held by schools. They are held for two main reasons. Firstly, as a contingency against financial risks and secondly, to save to meet planned commitments in future years. The balance at 31st March 2017 was £9.7m. The balance at 31st March 2018 has not been estimated, but is expected to have reduced, as it is affected by the number of schools converting to Academies.

Risk Management Policy and Strategy

125. The Risk Management Policy and Strategy is set out in Appendix H to this report.

126. The policy was considered by the Corporate Governance Committee on 29th January 2018.

Robustness of Estimates

127. The Director of Finance provides detailed guidance notes for Departments to follow when producing their budgets. As well as setting out certain assumptions such as inflation, these notes set a framework for the effective review and compilation of budget estimates. As a result, all estimates have been reviewed by appropriate staff in departments. In addition, each department's Finance Business Partner has identified the main risk areas in their budget and these have been evaluated by the Director of Finance. The main risks are described earlier in the report.

128. All savings included in the MTFS have had an initial deliverability assessment so that a realistic financial plan can be presented. Saving initiatives that are at an early stage of development, or require further work to confirm deliverability, have not been included in the MTFS.

129. The Cabinet and the Scrutiny Commission receive regular revenue and capital monitoring reports, budget and outturn reports. In addition, further financial governance reports, including those from External Audit, are considered by both the Corporate Governance Committee and the Constitution Committee. This comprehensive reporting framework enables members to satisfy themselves about both the financial management and standing of the County Council.

Conclusion

130. Having taken account of the overall control framework, budget provisions included to support the delivery of transformation, growth to reflect spending pressures, the inclusion of a contingency for MTFS risks and the earmarked funds and balances of the County Council, assurance can be given that the estimates are considered to be robust and the earmarked funds adequate.

131. It is worth noting that last year, KPMG, in its Value for Money work reported that: "We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

Concluding Comments

132. The Autumn Budget confirmed the widely expected continuation of austerity. There is little doubt that this will directly affect the County Council by increasing the funding reductions faced. Combining this with the deepening financial crisis in the NHS and proposed funding reforms in education and local government, it strongly suggests that the biggest challenges lie ahead.

133. The financial position of the County Council reflects the fact that income is simply not keeping up with demands on the budget. These demands primarily relate to both a growing and ageing population and a large increase in school-age children requiring support, which put huge demands on social care and SEND services.

134. The delivery of the MTFS will be challenging. Some local authorities, which are better funded than Leicestershire, are already in financial difficulties. The focus on Leicestershire's finances over the past years, including taking tough decisions on service reductions, has put the Council in a relatively sound position. The focus on medium term financial planning and strong financial discipline will need to be maintained.

135. The delivery of this MTFS rests on three factors:

- The absolute need to deliver the savings in the MTFS. The key risks are the technical difficulty of some projects and the public acceptance of some savings.
- The need to have very tight control over demand led budgets in children's and adults' social care. A repeat of recent overspends will put the County Council in a very difficult position with a need to make immediate offsetting savings.
- The need to manage other risks that could affect the Authority's financial position. These include costs currently being borne by the NHS shifting to local authorities and loss of trading income.

136. The County Council will be a very different organisation by 2022. It needs to be still more innovative, risk aware and commercial in its approach. The plan is deliverable and the MTFS can be balanced over the medium term.

Treasury Management Strategy Statement and Annual Investment Strategy

137. The Treasury Management Strategy Statement and the Treasury Management Annual Investment Strategy must be approved in advance of each financial year by the full Council. Appendix L to this report sets out the combined Treasury Management and Investment Strategy including the Treasury Management Policy Statement for 2018/19.

138. The strategies were considered by the Corporate Governance Committee on 29th January 2018.

139. Global economic growth is at is strongest, and most synchronised, for many years and Central Banks are likely to be looking to tighten the current accommodative monetary policy in the period ahead. They remain wary of taking action that risks harming the recovery and it is likely that the removal of quantitative easing and increases in bases rates will be very gradual.

140. The Bank of England raised base rates from the historic low of 0.25% in November to 0.5%. The Governor is generally very strong in his guidance to markets, and has made it clear that further increases are likely to be small and gradual, with one 0.25% increase in each of 2018 and 2019. UK economic growth is lower than many other areas and the risks associated with Brexit are likely to support a ‘wait-and-see’ approach in respect of monetary policy.

141. The expectation is that there will be no new external borrowing in the period covered by the MTFS, namely 2018-2022.

142. The Council continues to maintain a low risk approach to the manner in which its list of authorised counterparties is produced, and takes advice from Link Asset Services on all aspects of treasury management. The list of authorised investment types has, however, been expanded to include pooled private debt funds. This does increase the overall risk marginally, but the expected additional return justifies the additional risk.

Capital Programme 2018/19 to 2021/22

143. The capital programme totals £289m over the four years 2018-22 and is shown in detail in Appendix F. The programme is funded by a combination of Government grants, capital receipts, external contributions and revenue balances and earmarked funds.

144. The programme and funding is shown below:

Capital Programme 2018-22

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Children and Family Services	17,320	22,930	3,210	tbc	43,460
Adults and Communities	6,160	3,650	3,630	3,630	17,070
Public Health	480	0	0	0	480
Environment & Transport	37,220	37,390	25,310	14,610	114,530
Chief Executive’s	3,900	2,680	100	100	6,780
Corporate Resources	3,540	1,410	340	180	5,470
Corporate Programme	28,790	34,780	16,730	20,720	101,020
Total	97,410	102,840	49,320	39,240	288,810

Capital Resources 2018-22

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Grants	54,622	46,158	30,111	20,902	151,793
Capital Receipts from sales	13,094	5,004	1,464	1,484	21,046
Revenue/ Earmarked funds	20,495	35,287	12,745	16,854	85,381
Earmarked Capital funds	6,746	790	0	0	7,536
External Contributions	2,453	15,601	5,000	0	23,054
Total	97,410	102,840	49,320	39,240	288,810

145. The capital strategy is set out in Appendix G. The overall approach to developing the capital programme has been based on the following key principles:

- To invest in a limited number of priority areas including roads, schools and other essential infrastructure, economic growth and projects that generate positive revenue returns.
- Passport Government capital grants received for key priorities for highways and education to those departments.
- Maximise the achievement of capital receipts.
- Maximise other sources of income such bids to the LLEP, section106 developer contributions and other external funding agencies.
- No or limited prudential borrowing (only if the returns exceed the borrowing costs).

146. Where capital projects are not yet fully developed or plans agreed these have been included under the heading of 'Future Developments' under each departmental programme. It is intended that as these schemes are developed during the MTFS they are assessed against the balance of available resources and included in the capital programme as appropriate.

Changes to the draft Capital Programme proposed in December 2017

147. The main changes to the programme are:

Expenditure

- Adults & Communities: Libraries – reconfiguration of space, £0.25m.
- Public Health - Integrated Sexual Health Service Accommodation, £0.5m.
- Corporate – Asset Investment Fund, proposed acquisition of Embankment House, Nottingham. Funding allocated from 'Asset Acquisitions / New Investments' to named scheme within the Corporate Programme, £12.6m.

Funding (added to future developments)

- Increase in revenue funding of capital £9.6m, including £2.7m identified for Supported Living.
- Funding released from C&FS earmarked fund, £1.2m
- Increase in income estimates from Asset Investment Fund projects, £0.2m
- Total added to Future Developments, £11m

Funding and Affordability

Capital Grants

148. Grant funding is the largest source of financing for the capital programme and totals £151.8m across the 2018-22 programme. The majority of grants included in the programme are awarded by Government departments including the DfE and the Department for Transport (DfT). Other significant grants include funding from the LLEP. The main grants are explained below.

Children and Family Services

149. Capital grant funding for schools is provided by the DfE as follows:

a) Basic Need – this grant provides funding for new pupil places by expanding existing maintained schools, free schools or academies and by establishing new schools. Funding is determined through an annual submission to the DfE which identifies the need for additional school places in each local authority. The DfE have previously announced details of the grant awards for 2018/19 (£16.9m) and 2019/20 (£11.5m). No details have been announced for future years and therefore these are not included in the programme at this stage.

b) Condition – this grant provides the maintenance funding for the maintained school asset base. Details of the grant for 2018/19 and future years have not yet been announced. An estimate of £6.8m (in total) has been included in the capital programme for 2018/19 to 2020/21. It is expected that this grant will continue but will reduce as further schools convert to academy status. No estimate has been made for 2021/22.

c) Devolved Formula Capital (DFC) - funding provided to schools. The DfE has not yet announced details of grant allocations. However, an estimate can be made based on the number of maintained schools which totals £1.8m for 2018/19 to 2020/21. No estimate has been made for 2021/22.

Environment and Transport

150. The DfT has informed local authorities of the indicative amounts they will receive in capital grant for the Local Transport Plan (LTP) for 2018/19 to 2020/21, but has yet to confirm them. Estimates have been included for 2021/22. The LTP has two elements:

a) Improvement Schemes. Grant funding of £10.9m (£2.7m per annum) has been included in the four-year programme.

b) Maintenance funding. Grant funding of £45.8m (£11.4m per annum) has been included in the four-year programme.

151. Other significant capital grants included are:

- DfT Incentive Fund - £9.5m. The DfT has set aside funding to help reward local authorities which can demonstrate they are delivering value for money in carrying out cost effective improvements. The DfT invites each local authority to complete a self-assessment questionnaire to demonstrate that efficiency measures are being pursued. The amount included is estimated to be that applicable for a score at level 3 (out of 3).
- Highways England (Growth and Housing Fund) - £10m
- LLEP local growth fund - £12m
- National Productivity Investment Fund - £3.5m
- DfT Pothole Fund £2.9m – in line with previous years' grant announcements an estimate of £0.7m has been included for each year.

Capital Receipts

152. The generation of capital receipts is a key priority for the County Council. The capital programme includes an estimate of £21m across the four years to 2021/22. The estimate includes potential land sales that are subject to planning permission. In these cases the value of the site is significantly increased where planning permission is approved. However, this also comes with a significant amount of uncertainty and potential for delays. For planning purposes an estimate of 25% (equates to £5.8m) of future sales subject to planning permission has been included in the £21m estimate.

<u>Revenue / Earmarked Funds/ Contributions</u>

153. The capital strategy recognises the need to avoid prudential (unsupported by Government) borrowing in order not to increase levels of debt and associated financing costs. A total of £85m has been included in the programme funded from one off MTFS revenue contributions and revenue earmarked funds, primarily for the Future Developments fund.

<u>External Contributions and Earmarked Capital Funds</u>

154. A total of £31m is included in the funding of the capital programme 2018-22, mainly from section 106 developer contributions (£20m), external organisations and earmarked capital funds.

<u>Prudential Borrowing</u>

155. The Council is able to finance new capital expenditure by undertaking prudential (unsupported) borrowing. The financing costs of undertaking borrowing, often from the Public Works Loans Board, are charged to the revenue account and are funded by the Council. By using other sources of funding, capital receipts and one-off revenue contributions, no unsupported borrowing is included in the funding of the 2018-22 programme. The County Council's current level of external debt is £265m which costs circa £23m in capital financing costs each year.

Departmental Programmes

Children and Family Services

156. The programme totals £43.5m over the three years 2018/19 to 2020/21. The priorities for the programme are informed by the Council's School Place Planning Strategy and include the provision of additional accommodation where additional pupil places are needed (£31.5m) and school improvements (£6.8m).

Adults and Communities

157. The programme totals £17.1m. The main area relates to the Better Care Fund (BCF) Grant programme (£14.5m), which is passported to District Councils to fund major housing adaptations in the County for vulnerable people to stay safely in their own home. Other investments include £0.9m to complete the SMART libraries programme (to enable self-service) that started in 2017/18 and capital works at Enderby Danemill Annex (£0.6m) to locate the adult learning service into an existing County Council premises to improve service provision and reduce costs.

Public Health

158. The programme comprises £0.5m investment in 2018/19 to develop integrated sexual health service accommodation with Leicester City Council.

Environment and Transport (E&T)

159. The programme totals £114.5m over the four years 2018-22. The main areas are:
   - Transport Asset Management Programme - £48.9m. Ensuring transport assets such as roads and footways are well managed. The programme includes an adjustment in each year of circa £3m reduction in respect of a substitution of capital funding to offset revenue expenditure. This supports the delivery of revenue savings in the E&T Department.
   - Strategic Economic Plan (SEP) - £34.8m. Anstey Lane Scheme (£7.8m) and M1 Junction 23 (£27m). These two schemes will be funded by contributions from Highways England, the LLEP, developers and Leicester City Council.
   - Advanced Design work - £9.2m. A programme of advanced design works to support future major transport schemes and bids to the DfT and LLEP for funding. The programme includes £4m advanced design work towards a potential new distributor road east of Melton Mowbray.
   - County Council vehicle programme - £6.8m. Investment in new vehicles to replace aged vehicles and reduce running costs.
   - Hinckley Hawley Road - £5m. Hinckley Area Project Zone 4 – junction, traffic management, signage, walking and cycling improvements.
   - Street lighting LED Replacement Programme - £5m, for completion of the programme. Good progress is being made with spend likely to be incurred (accelerated) in 2017/18.

- Zouch Bridge Replacement – £1.8m. Funding to complete the bridge works (in addition to £1.6m funding in the current 2017/18 capital programme). The overall costs have risen by £0.7m due to delays on the scheme and the outcome of a flood risk assessment necessitating redesign work. The Department for Transport have concluded that a Public Inquiry is required which will result in a further delay to the start date.
- The Environment and Waste programme totals £1.0m and includes drainage and general improvement works at recycling and household waste sites.

Chief Executive's

160. The programme totals £6.8m. The main scheme is the Rural Broadband Phases 2 and 3 (£6.4m) towards completing superfast rural broadband. The funding includes £1.9m underwriting by the County Council pending repayment from BT in 2023. The departmental programme also includes Shire Community Grants, totalling £0.4m across the four years to 2022.

Corporate Resources

161. The programme totals £5.5m for 2018-22 with the main priorities for investment being:

- £3.3m investment in the ICT upgrade and replacement programme, including the local and wide area networks, the storage area network and server replacement.
- Central Maintenance Fund, £0.5m for major replacement works.
- Snibston and Country Park future strategy, £1.6m to develop the site.

Corporate Programme

162. The corporate programme totals £101m for 2018-22. The main area is the investment in the Corporate Asset Investment Fund (CAIF), totalling £96m, of property and land assets to improve economic development, replace assets sold to generate capital receipts, and generate ongoing revenue returns. The CAIF programme also includes allocations for Industrial Properties and County Farms for general improvements (£2m).

163. The CAIF has a notional target of growing to £200m. Existing holdings plus identified commitments will value the CAIF at circa £151m over the MTFS. The balance of £49m has been included in the programme as future asset acquisitions.

164. Other investments within the corporate programme include the Energy and Water Strategy, £4.7m, to reduce energy consumption across the Council's property estate to deliver ongoing efficiency savings and reduce carbon emissions.

<u>Future Developments</u>

165. 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.

166. The balance of available funds for future developments totals £39m by 2021/22.

167. 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.

168. 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.
- Temporarily 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

169. 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.

Capital Summary

170. Given the declining financial position it is important that the process for developing long term infrastructure plans continues to improve so that the right investment choices are made. Currently longer term infrastructure schemes are not included in the programme. Pressure on school places and Leicestershire's infrastructure is expected from population growth, with estimates of a 12% increase in the County's population by 2030. It is assumed that Section 106 and Government funding will be available at the necessary level.

171. By their nature discretionary asset investments, which are made to generate capital receipts or revenue returns, are risky. Whilst this is partially mitigated by the County Council's ability to take a long-term view of investments, removing

short-term volatility, it is likely that not every investment will yield a return in line with the business case.

172. A significant portion of the programme enables revenue savings; delays or unsuccessful schemes will directly affect the revenue position.

173. Additional government investment in housing and infrastructure is increasingly subject to a competitive bidding process and areas with devolution deals are likely to be preferred. For the County Council to access additional funding other organisations, such as the LLEP, need to be operating effectively.

<u>Budget Consultation</u>

174. A consultation has been undertaken on the proposals within the draft MTFS approved by the Cabinet for consultation on 12th December 2017. The consultation asked for views on the savings plan and the appetite for Council Tax increases. A report on the outcome of the consultation is attached, Appendix M.

<u>Results of Scrutiny Process</u>

175. The Overview and Scrutiny Committees and the Scrutiny Commission received detailed reports on the revenue budget and capital programme proposals, which can be viewed via the County Council’s website (www.leicestershire.gov.uk). Appendix N sets out the comments arising from meetings of Scrutiny bodies.

<u>Equality and Human Rights Implications</u>

176. Public authorities are required by law to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between people who share protected characteristics and those who do not; and
- Foster good relations between people who share protected characteristics and those who do not.

177. Many aspects of the County Council's MTFS may affect service users who have a protected characteristic under equalities legislation. An assessment of the impact of the proposals on the protected groups must be undertaken at a formative stage prior to any final decisions being made. Such assessments will be undertaken in light of the potential impact of proposals and the timing of any proposed changes. Those assessments will be revised as the proposals are developed to ensure that decision-makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic.

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

Crime and Disorder Implications

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

Environmental Implications

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

Partnership Working and Associated Issues

181. As part of the efficiency programme and improvements to services, working with partners and service users will be considered along with any impact issues, and they will be consulted on any proposals which affect them.

Risk Assessments

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

Background Papers

Report to the County Council on 22nd February 2017: Medium Term Financial Strategy 2017/18 - 2020/21
http://politics.leics.gov.uk/documents/s126527/MTFS%202017%20-2021.pdf

Revenue Support Grant provisional settlement 2018-20
https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019

List of Appendices

Appendix A: 2018/19 Revenue Budget
Appendix B: Four Year Revenue Budget 2018/19 to 2021/22
Appendix C: Growth and Savings 2018/19 to 2021/22
Appendix D: Savings under Development
Appendix E: Detailed Revenue budgets for 2018/19
Appendix F: Detailed Capital Programme 2018/19 to 2021/22
Appendix G: Capital Strategy
Appendix H: Risk Management Policy and Strategy
Appendix I: Earmarked Funds Policy
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Appendix K: Council Tax and Precept
Appendix L: Treasury Management Strategy Statement and Annual Investment Strategy
Appendix M: MTFS Consultation Report
Appendix N: Comments of the Overview and Scrutiny Committees and Scrutiny Commission

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APPENDIX A

REVENUE BUDGET 2018/19

	Gross Expenditure				Gross Income				NET TOTAL
	Base including inflation	Growth	Savings	Gross Expenditure	Base including inflation	Growth	Savings	Gross Income	
	£	£	£	£	£	£	£	£	£
Spending									
Services :									
Children & Family Services	299,456,150	9,680,000	-1,600,000	307,536,150	-237,043,790		-25,000	-237,068,790	70,467,360
Adults & Communities	227,888,600	3,545,000	-5,655,000	225,778,600	-92,147,280	-1,340,000	-100,000	-93,587,280	132,191,320
Public Health	25,870,930	40,000	-315,000	25,595,930	-26,958,460	660,000		-26,298,460	-702,530
Environment & Transport	89,429,200	1,245,000	-4,340,000	86,334,200	-22,353,600		-700,000	-23,053,600	63,280,600
Chief Executives	14,075,540	105,000	-515,000	13,665,540	-3,727,280			-3,727,280	9,938,260
Corporate Resources	61,129,790	390,000	-1,805,000	59,714,790	-27,980,580		-675,000	-28,655,580	31,059,210
	717,850,210	15,005,000	-14,230,000	718,625,210	-410,210,990	-680,000	-1,500,000	-412,390,990	306,234,220
Dedicated Schools Grant (Central Dept recharges)	-922,000			-922,000	0			0	-922,000
Carbon Reduction Commitment	275,000			275,000	0			0	275,000
Other corporate growth & savings	0		-250,000	-250,000	0			0	-250,000
Contingency for inflation	14,955,000			14,955,000	0			0	14,955,000
	732,158,210	15,005,000	-14,480,000	732,683,210	-410,210,990	-680,000	-1,500,000	-412,390,990	320,292,220
Central Items:									
Financing of capital	26,230,000			26,230,000	-3,730,000			-3,730,000	22,500,000
Revenue funding of capital	28,500,000			28,500,000	0			0	28,500,000
Central expenditure	3,737,000		-185,000	3,552,000	-425,000		-100,000	-525,000	3,027,000
Central grants and other income	0			0	-13,344,000			-13,344,000	-13,344,000
Total Central Items	58,467,000	0	-185,000	58,282,000	-17,499,000	0	-100,000	-17,599,000	40,683,000
Budget Requirement	790,625,210	15,005,000	-14,665,000	790,965,210	-427,709,990	-680,000	-1,600,000	-429,989,990	**360,975,220**
Funding									
Revenue Support Grant									-8,548,720
Business Rates - Top Up									-38,813,230
Business Rates Baseline / retained									-22,315,500
S31 grants - Business Rates									-2,266,000
Collection Fund net deficit / (surplus)									-3,556,320
Council Tax							-1,300,000		-285,475,450
Total Funding									**-360,975,220**
Council Tax									
Council Tax Base									229,740.15
Band D Council Tax									£1,242.60
Increase on 2017/18 (Band D £1,172.38)									5.99%

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APPENDIX B

2018/19 - 2021/22 REVENUE BUDGET *

	TOTAL 2017/18	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2018/19	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2019/20	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2020/21	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2021/22
Spending	**£000**	£000	£000	£000	**£000**	£000	£000	£000	**£000**	£000	£000	£000	**£000**	£000	£000	£000	**£000**
Services :																	
Children & Family Services	**60,800**	1,612	9,680	-1,625	**70,467**	0	2,800	-2,675	**70,592**	0	1,800	-1,675	**70,717**	0	3,200	-670	**73,247**
Adults & Communities	**135,053**	688	2,205	-5,755	**132,191**	0	3,355	-2,585	**132,961**	0	2,375	-1,315	**134,021**	0	2,120	0	**136,141**
Public Health **	**-324**	-763	700	-315	**-702**	0	670	-500	**-532**	0	20	-525	**-1,037**	0	0	0	**-1,037**
Environment & Transport	**65,316**	1,760	1,245	-5,040	**63,281**	184	655	-1,890	**62,230**	64	695	-170	**62,819**	0	750	-45	**63,524**
Chief Executives	**9,737**	611	105	-515	**9,938**	0	0	-30	**9,908**	0	0	-5	**9,903**	0	0	-75	**9,828**
Corporate Resources	**32,483**	666	390	-2,480	**31,059**	0	-20	-860	**30,179**	0	0	-50	**30,129**	0	0	-2,000	**28,129**
	303,064	4,574	14,325	-15,730	**306,234**	184	7,460	-8,540	**305,338**	64	4,890	-3,740	**306,552**	0	6,070	-2,790	**309,832**
DSG (Central Dept. recharges)	**-922**				**-922**				**-922**				**-922**				**-922**
Carbon Reduction Commitment	**355**	-80			**275**	-275			**0**				**0**				**0**
Other corporate growth & savings	**0**		0	-250	**-250**		3,000	-250	**2,500**		3,000	0	**5,500**		2,460	0	**7,960**
MTFS Risks Contingency	**4,000**	-4,000			**0**	8,000			**8,000**				**8,000**				**8,000**
Contingency for inflation	**13,316**	1,639			**14,955**	12,085			**27,040**	12,430			**39,470**	8,340			**47,810**
	319,813	2,133	14,325	-15,980	**320,292**	19,994	10,460	-8,790	**341,956**	12,494	7,890	-3,740	**358,600**	8,340	8,530	-2,790	**372,680**
Central Items:																	
Financing of capital	**22,800**	-300			**22,500**	100			**22,600**	600		-4,000	**19,200**	100			**19,300**
Revenue funding of capital	**15,850**	12,650			**28,500**	-15,150			**13,350**	-7,620			**5,730**	-4,000			**1,730**
Central expenditure	**3,443**	-131		-285	**3,027**	-50		-100	**2,877**	-50			**2,827**				**2,827**
Central grants and other income	**-13,956**	612			**-13,344**	-5,821			**-19,165**				**-19,165**				**-19,165**
Budget Requirement	**347,950**	14,964	14,325	-16,265	**360,975**	-927	10,460	-8,890	**361,618**	5,424	7,890	-7,740	**367,192**	4,440	8,530	-2,790	**377,372**
Funding																	
Revenue Support Grant	**-19,548**				**-8,549**				**0**				**0**				**0**
Business Rates - Top Up	**-37,566**				**-38,813**				**-37,529**				**-27,630**				**-17,740**
Business Rates Baseline/Retained	**-20,683**				**-22,316**				**-22,781**				**-23,279**				**-23,740**
S31 grants - Business Rates	**-1,470**				**-2,266**				**-2,888**				**-2,888**				**-2,888**
Collection Fund net deficit / (surplus)	**-5,596**				**-3,556**				**0**				**0**				**0**
Council Tax	**-263,087**			-1,300	**-285,475**				**-298,420**				**-308,930**				**-319,800**
	-347,950			-17,565	**-360,975**				**-361,618**				**-362,727**				**-364,168**
VARIANCE	**0**				**0**				**0**				**4,465**				**13,204**
Band D Council Tax	*£1,172.38*				*£1,242.60*				*£1,279.76*				*£1,305.22*				*£1,331.20*
Increase	*3.99%*				*5.99%*				*2.99%*				*1.99%*				*1.99%*

* provisional for 2019/20 and later years

** net budget after Public Health grant

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APPENDIX C

References			2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000

GROWTH

			2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
		CHILDREN & FAMILY SERVICES				
		Demand & cost increases				
**	G1	Demographic growth- Social Care Placements	5,900	8,700	11,500	14,700
	G2	Social Worker Agency premia / recruitment & retention	500	500	500	500
	G3	Turnover factor: Social Workers	580	580	580	580
	G4	Post Ofsted action plan	2,000	2,000	2,000	2,000
*	G5	Removal of time-limited growth - One-off contribution to Supporting Leicestershire Families	-300	-300	-300	-300
	G28	Supporting Leicestershire Families - transition to a new model when external funding ceases	1,000	1,000	0	0
		Total	**9,680**	**12,480**	**14,280**	**17,480**
		ADULTS & COMMUNITIES				
		Demand & cost increases				
**	G6	Older people - new entrants and increasing needs in community based services and residential admissions	1,275	2,570	3,680	4,680
**	G7	Learning Disabilities - new entrants including children transitions and people with complex needs	880	2,065	3,160	4,140
**	G8	Mental Health - new entrants in community based services and residential admissions	130	215	285	340
**	G9	Physical Disabilities - new entrants in community based services	170	310	410	495
	G29	Deprivation of Liberty Safeguards (DOLS) - loss of grant	260	260	260	260
		Other increases				
	G10	Resources for ongoing reviews of service users needs	610	610	610	610
	G11	Resources for Hospital Discharge Team	170	170	170	170
	G12	Transforming Care - transfers from Health	750	1,500	1,500	1,500
*	G13	Removal of time-limited growth - Additional Adult Social Care Support	-2,140	-2,140	-2,140	-2,140
	G30	Support Fund for Community Libraries	100	0	0	0
		Total	**2,205**	**5,560**	**7,935**	**10,055**
		PUBLIC HEALTH				
		Reduced Income				
*	G14	Reductions to Public Health specific grant (offsetting savings are included)	660	1,310	1,310	1,310
		Demand & cost increases				
*	G15	Integrated Sexual Health Service - increased testing expected as result of new Pre Exposure Prophylaxis treatment for HIV risk groups	40	60	80	80
		Total	**700**	**1,370**	**1,390**	**1,390**
		ENVIRONMENT & TRANSPORT				
		Highways & Transport				
		Demand & cost increases				
**	G16	Special Educational Needs transport - increased client numbers/costs	345	720	1,125	1,565
	G17	Social Care Transport	200	200	200	200
	G31	Highway maintenance investment	600	600	600	600
		Total	1,145	1,520	1,925	2,365
		Environment & Waste				
		Demand & cost increases				
**	G18	Recycling (and Reuse) Credits	100	100	100	100
**	G19	Waste tonnage increases	0	280	570	880
		Total	100	380	670	980
		Total	**1,245**	**1,900**	**2,595**	**3,345**

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

APPENDIX C

GROWTH

References			2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
		CHIEF EXECUTIVES				
		Demand & cost increases				
**	G20	Signposting and Community Support Service	100	100	100	100
	G21	Legal - increased caseloads and complexity	80	80	80	80
	G22	Acquisition legal costs for Asset Investments	75	75	75	75
**	G23	Growth for County Council's contribution to the running of the Combined Authority - not required	-150	-150	-150	-150
		Total	**105**	**105**	**105**	**105**
		CORPORATE RESOURCES				
		Demand & cost increases				
**	G24	ICT infrastructure costs and consequences of capital spend	180	180	180	180
*	G25	Strategic Property resources to manage and develop the property assets	100	100	100	100
**	G26	Information & Records Management and Data Compliance Regulations	110	90	90	90
		Total	**390**	**370**	**370**	**370**
		CORPORATE GROWTH				
**	G27	Growth contingency		3,000	6,000	8,460
		Total	**0**	**3,000**	**6,000**	**8,460**
		TOTAL	**14,325**	**24,785**	**32,675**	**41,205**
		Overall net additional growth		10,460	7,890	8,530

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

APPENDIX C

	References			2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000

SAVINGS

References used in the following tables
* items unchanged from previous Medium Term Financial Strategy
** items included in the previous Medium Term Financial Strategy which have been amended
Eff - Efficiency saving
SR - Service reduction
Inc - Income

				2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
			CHILDREN & FAMILY SERVICES				
			Transformation				
**	CF1	Eff	New Departmental Operating Model	190	190	90	90
	CF2	Eff	Growing Mainstream Internal Foster Carer Provision	-300	-800	-1,300	-1,800
	CF3	Eff	Growing Specialist Internal Foster Carer Provision	-400	-600	-900	-1,100
	CF4	Eff	Develop Wrap Around Therapeutic Support Services			-700	-700
*	CF5	Eff/SR	Admin / Business Support Review	-150	-150	-150	-150
**	CF6	Eff/SR	Early Help Review		-1,500	-1,500	-1,500
	CF7	Eff	Disabled Children's Respite Care		-100	-100	-100
	CF8	Eff	Review of staff absence		-75	-150	-150
**	CF13	Eff/SR	Early Help & Prevention Review (transferred from Public Health) +	-180	-180	-180	-180
			Total	-840	-3,215	-4,890	-5,590

+ The Early Help & Prevention Review savings has been included following a transfer from Public Health of several contracts. There has been no change to the total saving or the delivery approach.

				2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
			Departmental				
*	CF9	Eff/Inc	Review the Educational Psychology Service	-125	-225	-225	-225
**	CF10	SR	Reprocurement of Contract for Careers Information, Advice & Guidance	-700	-700	-700	-700
**	CF11	Inc	Academy conversion (reduced numbers)	40	40	40	70
	CF12	Eff	Education of Children in Care		-200	-200	-200
			Total	-785	-1,085	-1,085	-1,055
			TOTAL	**-1,625**	**-4,300**	**-5,975**	**-6,645**
			ADULTS & COMMUNITIES				
			Adult Social Care				
			Transformation				
*	AC1	Eff	Review of Equipment and Therapy Services	-250	-350	-350	-350
*	AC2	Eff	Review of individual long term residential placement costs	-250	-500	-750	-750
**	AC3	Eff/SR	Effective management of Direct Payments and Personal Budget allocations	-1,500	-2,000	-2,000	-2,000
	AC4	Eff	Review of staff absence		-160	-325	-325
	AC5	Eff	Improvements to finance pathway for service users	-75	-150	-150	-150
			Total	-2,075	-3,160	-3,575	-3,575
			Departmental				
**	AC6	Eff	Review of Direct Services	-430	-430	-430	-430
*	AC7	Inc	Increased income from fairer charging and removal of subsidy / aligning increases	-100	-200	-300	-300
*	AC8	Eff	Developing Extracare as alternative to residential, nursing and homecare	-35	-35	-35	-35
*	AC9	Eff/SR	Review of Supported Living costs	-165	-465	-465	-465
**	AC10	Eff/SR	Reablement review	-300	-300	-300	-300
**	AC11	Eff/SR	Review of Community Life Choices costs	-400	-500	-500	-500
*	AC12	Eff	Improvements to the Mental Health pathway	-250	-250	-250	-250
	AC13	Eff/SR	Promoting Independence in the home for high dependency service	-800	-1,200	-1,200	-1,200
	AC14	Eff/SR	Review of low level service costs		-400	-400	-400
	AC16	Eff	Reduced financial growth following demand management improvements	-1,000	-1,000	-1,000	-1,000
			Total	-3,480	-4,780	-4,880	-4,880
			Total ASC	**-5,555**	**-7,940**	**-8,455**	**-8,455**
			Communities and Wellbeing				
			Transformation				
*	AC15	Eff/SR	Implementation of revised service for communities and wellbeing	-200	-400	-1,200	-1,200
			Total C&W	**-200**	**-400**	**-1,200**	**-1,200**
			TOTAL A&C	**-5,755**	**-8,340**	**-9,655**	**-9,655**

APPENDIX C

SAVINGS

	References			2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
			PUBLIC HEALTH				
			Transformation				
**	PH1	Eff/SR	Early Help & Prevention Review - review of externally commissioned prevention services	-315	-805	-1,320	-1,320
			Total	-315	-805	-1,320	-1,320
			Departmental				
	PH2	Eff	Review of staff absence		-10	-20	-20
			Total	0	-10	-20	-20
			TOTAL	**-315**	**-815**	**-1,340**	**-1,340**
			ENVIRONMENT & TRANSPORT				
			Highways & Transport				
			Transformation				
**	ET1	Eff/SR	Street Lighting - expected savings from conversion to LEDs including consideration of any further switching off, dimming and part night lighting	-1,000	-1,000	-1,000	-1,000
*	ET2	Eff/SR /Inc	Revised approach to Highways Maintenance (Looking after Leicestershire) including improvement schemes	-550	-550	-550	-550
*	ET3	Eff/SR /Inc	Service review of Highway Authority planning processes and charging regimes	-250	-250	-250	-250
	ET4	SR	Revise Passenger Transport Policy		-400	-400	-400
	ET5	Eff/SR	Implement Review of Social Care and SEN Transport (Phase 2)	-770	-1,190	-1,190	-1,190
	ET6	Eff	Review of staff absence		-25	-50	-50
			Total	-2,570	-3,415	-3,440	-3,440
			Departmental				
*	ET7	Eff	Further contract renewal savings	-100	-100	-100	-100
*	ET8	Eff/SR /Inc	Review of Road Safety strategy and provision	-170	-170	-170	-170
*	ET9	Eff/SR	Review of SEN / Social Care Transport	-125	-125	-125	-125
**	ET10	SR/Inc	Review of parking restrictions including town centre, residents and yellow lines		-600	-600	-600
	ET11	Eff	Implement Alternative Fleet Provision		-200	-200	-200
	ET12	Eff	Revenue savings from capital programme		-100	-100	-100
			Total	-395	-1,295	-1,295	-1,295
			Total	**-2,965**	**-4,710**	**-4,735**	**-4,735**
			Environment & Waste				
			Transformation				
**	ET13	SR/Inc	Review of Recycling & Household Waste Sites (RHWS) provision	-5	-10	-15	-20
**	ET14	Eff	Revised RHWS delivery model	-350	-350	-350	-350
**	ET15	Eff	Revised payment mechanism for recycling credits for dry materials (net saving – gross saving £3.4m)	-1,300	-1,400	-1,400	-1,400
			Total	-1,655	-1,760	-1,765	-1,770
			Departmental				
**	ET16	Eff	Efficiencies from contract procurement/renewal	-140	-140	-140	-140
**	ET17	Eff	Reduced costs of green waste disposal	-50	-50	-50	-50
**	ET18	Inc	Trade Waste income	-80	-120	-160	-200
**	ET19	Eff	Future residual waste strategy	-150	-150	-250	-250
			Total	-420	-460	-600	-640
			Total	**-2,075**	**-2,220**	**-2,365**	**-2,410**
			TOTAL E&T	**-5,040**	**-6,930**	**-7,100**	**-7,145**

APPENDIX C

SAVINGS

	References			2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
			CHIEF EXECUTIVE				
			Transformation				
	CE1	Eff	Review of staff absence		-5	-10	-10
			Total	0	-5	-10	-10
			Departmental				
*	CE2	SR	Funding and support to agencies	-20	-20	-20	-20
*	CE3	Eff	Democratic Services, Administration and Civic support review	-30	-30	-30	-30
*	CE4	Eff	Legal Services review	-80	-80	-80	-80
*	CE5	SR	Review Planning, Historic and Natural Environmental Services	-40	-40	-40	-40
*	CE6	SR	Review of Community Centre Funding	-15	-15	-15	-15
*	CE7	Eff	Trading Standards - Service Review and Joint Working	-60	-60	-60	-60
*	CE8	SR	Review of Shire Community Grants	-70	-70	-70	-70
**	CE9	SR	Review funding for economic development activity to external agency	-100	-125	-125	-200
*	CE10	Eff/SR	Early Help and Prevention Review - reduced contribution to community capacity building	-100	-100	-100	-100
			Total	-515	-540	-540	-615
			TOTAL	**-515**	**-545**	**-550**	**-625**
			CORPORATE RESOURCES				
			Transformation				
*	CR1	Eff	ICT Review (Strategic and Operational)	-705	-705	-705	-705
**	CR2	Eff	Customer Service Centre Review	-130	-200	-200	-200
	CR3	Eff	Review of staff absence		-20	-45	-45
			Total	-835	-925	-950	-950
			Departmental				
*	CR4	Eff/Inc	Increasing Commercial Services contribution	-750	-1,500	-1,500	-1,500
**	CR5	Eff	Business Support Review	-30	-30	-30	-30
*	CR6	Eff	Review of Strategic Finance & Assurance	-325	-325	-325	-325
*	CR7	Eff	Human Resources & Organisation Review	-300	-300	-300	-300
*	CR8	Eff	Operational Property Review	-130	-130	-130	-130
*	CR9	Eff	Energy & Water efficiencies	-85	-75	-95	-95
	CR10	Eff	Returns from Asset Investment Fund				-2,000
	CR11	Eff/Inc	Revenue savings from capital programme	-25	-55	-60	-60
			Total	-1,645	-2,415	-2,440	-4,440
			TOTAL	**-2,480**	**-3,340**	**-3,390**	**-5,390**
			CORPORATE SAVINGS				
	CS1	Eff	Review of key supplier contracts	-250	-500	-500	-500
			TOTAL	**-250**	**-500**	**-500**	**-500**
			CENTRAL ITEMS				
*	CI1	Inc	Financial Arrangements - growth in ESPO income	-100	-200	-200	-200
*	CI2	SR	Review of contributions to Discretionary Discount Funds and LCTS Admin.	-125	-125	-125	-125
**	CI3	N/A	Minimum Revenue Provision (MRP)	0	0	-4,000	-4,000
*	CI4	Inc	Review of Council Tax and Business Rates Collection	-1,300	-1,300	-1,300	-1,300
	CI5	Eff	Members Expenses & Support - Political Assistants	-60	-60	-60	-60
			TOTAL	**-1,585**	**-1,685**	**-5,685**	**-5,685**
			TOTAL including additional income	**-17,565**	**-26,455**	**-34,195**	**-36,985**
			Overall net additional savings		-8,890	-7,740	-2,790

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APPENDIX D

Savings Under Development

1. Fostering Service

The service has been reviewing and improving its approach to recruitment and support for in-house fostering during 2016/17 following a restructure of the service in 2016. To build on this development a consultant with an Independent Fostering Agency (IFA) background has been engaged to undertake a review of the in-house service, with a view to matching the best operational practices of IFAs. This will allow a development plan to be put in place to increase the recruitment and retention of in-house Foster Carers. This will increase the number of in-house carers above the level in the MTFS, reducing the dependency on higher cost IFA and residential placements. The plan will consider the training and support offer for new and existing foster carers and review the fee structure. This should secure greater improvements in recruitment and retention and equip carers to meet the needs of children and young people in internal foster placements.

2. Lower cost adult social care provision

The most significant cost in ASC is for residential placements. Some exploratory work has been undertaken to better understand the market and scope to make savings from different models of placements for adults with learning difficulties. This could be a reduction in the cost of residential places or alternative provision such as supported living. In addition there may be opportunities to intervene in the older adults care market to increase capacity either directly in residential care or alternative provision such as extra care.

3. Place to live

Work is underway to establish the best options to deliver fully integrated care pathways for working age adults with disabilities in Leicestershire. The expectation is that these adults could be supported to live independently in the community through an intensive programme of housing with care development, deregistration of existing provision and progressive support planning.

4. Home First

The proposed development of Home First services across the county aims to care for people at home wherever possible to prevent hospital admissions and ensure timely discharge from hospital. If people can be cared for at home rather than being admitted to a hospital bed, and if people can be supported at home through reablement, or provided with a reablement bed on discharge, the number of costly long term care admissions and long term community packages should be reduced.

5. Improvements to the Operating Model for Adult Social Care

It is proposed to develop a new operating model that will articulate how the flow of activity and demand will be managed going forward. The model will seek to reduce variation, improve systems and processes, ensure proportionate responses and simplify to deliver a more efficient and effective service both for service users and staff. Recent work carried out in a neighbouring authority has shown that financial savings are achievable through a detailed analysis of operating practices, productivity diagnostics and improved decision making whilst improving outcomes.

6. Future Residual Waste Strategy

Savings of £250,000 linked to the Future Residual Waste Strategy are already built into the draft MTFS. This initiative relates to the impending purchase of a Class C share in the Coventry and Solihull Waste Disposal Partnership to provide access to increased tonnages at preferential rates at the Coventry energy from waste plant. Other significant disposal contracts need to be reviewed at certain future points. It is hoped that the future procurement exercise(s) that will need to be undertaken for this waste will lead to further savings.

7. Highways Delivery Model

This broad initiative will aim to examine what the most appropriate long term model is for the Highways Delivery Service. Recognising the constraints to the service of working under LCC terms and conditions, which are out of line with the rest of the sector. The intention is to look at how different models can be applied to overcome this. Alternative delivery models could include a teckal model, a joint venture partnership or other commercial organisational structures operating within a wider corporate trading arm.

8. Income generation/S278 and related service reviews

The proposal builds on previous restructures and aligns the Highways Delivery service to emerging themes around commerciality, digital and embedding a customer focus. In the short to medium term specific functions will be examined to explore options for increased efficiency and refocusing that capacity, within the existing service, to delivering a new approach specifically around section 278s. The intention is to provide a 'one stop shop' for developers, using a delivery partner to actually undertake the work on the ground thus minimising LCC's risk and to charge a percentage fee to do so.

9. Reuse

Potential opportunities exist to increase levels of reuse of county waste at Recycling and Household Waste Sites, possibly through the construction, or rental of an appropriate facility from which to operate a reuse shop.

10. RHWS future service offer

This involves the investigation of any further potential benefits following the successful insourcing of 13 of the 14 RHWS sites as well as reviewing our current RHWS provision, both on an individual site level and collectively to explore whether, across the whole county, the type and level of service offer is still suitable against a tougher financial climate and external legislative changes. This initiative would also consider strategic relationships with other key stakeholders operating within Leicestershire and the wider region.

11. Corporate Asset Investment Fund

The £2 million proposed to be included in the MTFS is close to being fully secured. Further investments are proposed that once appraised and approved by the Corporate Asset Investment Fund Advisory Board, will be progressed. The benefits of making these investments will not only be to the local economy, but also generate an additional ongoing revenue stream (for example as rental income from farms or industrial units) or future capital receipts in excess of what is required for the initial investment.

12. IT & Digital Strategy Implementation

A review to take forward both the Council's technology and digital agenda has been undertaken, culminating in the IT & Digital Strategy 2017-20. This strategy focuses on providing more efficient and effective Council services, empowering people and introducing digital ways of working through easier to use, customer focused and joined up services across the Council and with partners. The investment and financial benefits of the strategy are being quantified to agree the initiatives to be taken forward. Some examples include optimisation of Council web pages; simplifying high volume or costly online transactions; identifying mobility solution improvements; and improving collaboration with partners

13. Commercialism

In addition to the £2m increased contribution target from the existing Leicestershire Traded Services, opportunities to trade and create a more commercial culture across the wider County Council are being considered, which could increase trading by other departments. Independent consultants have been commissioned to identify such opportunities and the outcome of their review and recommendations are expected before the end of the financial year.

14. Property Initiatives

A new Workplace Strategy is being developed which will set out how the County Council can maximise the use of its property portfolio and reduce operational property costs. This will entail a review of all lettings, property occupancy and analysis of the total financial implications of running each property within the estate including the costs of maintaining those buildings. Other revenue generating initiatives are also being considered.

15. People and Performance Management

The introduction of the Apprenticeship Levy has required £1 million of growth. However, there is an opportunity to reduce the impact on the County Council's finances by reviewing whether any existing training costs, for example management or professional qualifications, qualify under the new scheme thereby allowing the Learning and Development budget to be reduced.

The use of the corporate agency services contract has been increasing. Whilst this may be a result of greater contract compliance a review of agency expenditure is being undertaken to identify any potential efficiencies.

16. Fit For the Future

This transformational project is looking to replace the existing Oracle ERP system and improve the working practices of the ICT, Finance, HR, Procurement functions and EMSS. Savings are expected through contract cost reductions, direct savings in the functions and greater effectiveness of key corporate processes.

17. Financial Arrangements

The County Council makes provision from the revenue budget for a range of future liabilities and these provisions can be changed in line with expected liabilities and regulations. A review of these financial arrangements is expected to yield savings. For example the County Council's insurance claims experience has improved to the extent that the earmarked funds held are significantly in excess of what is required.

18. 0-19 Health Visiting & School Nursing service

    There is an opportunity to renegotiate this contract in 2020 through the identification of new ways of delivery aligned to the future needs of the population as well as an appraisal of the infrastructure needed to deliver the service effectively.

19. Integrated Lifestyles

    Subject to public consultation there is the potential of combining aspects of the delivery of lifestyle services such as Weight Management, Physical Activity, Alcohol Advice and Health Checks into a single lifestyle hub.

20. Schools offer

    There are a number of services that are delivered to schools that are either not traded, for example young person's physical activity and various specialist public health training elements, or have limited trading, for example energy services. This initiative will explore which strands of the delivery could be suitable for a traded offer.

APPENDIX E

CHILDREN & FAMILY SERVICES DEPARTMENT

REVENUE BUDGET 2018/19

Budget 2017/18 £		Employees £	Running Expenses £	Internal Income £	Gross Budget	External Income £	Net Total 2018/19 £	Schools	Early Years	High Needs	Dedicated Schools Grant	LA Block
832,410	**C&FS Directorate**	1,033,900	133,770	0	1,167,670	0	1,167,670	18,500	44,230	153,950	216,680	950,990
1,969,270	C&FS Safeguarding	2,056,060	247,660	-48,700	2,255,020	-130,000	2,125,020	0	0	0	0	2,125,020
136,960	LSCB	263,850	138,340	-53,100	349,090	-212,130	136,960	0	0	0	0	136,960
2,106,230	**Total Safeguarding, Improvement & QA**	**2,319,910**	**386,000**	**-101,800**	**2,604,110**	**-342,130**	**2,261,980**	**0**	**0**	**0**	**0**	**2,261,980**
320,520	Asylum Seekers	267,570	802,960	0	1,070,530	-750,000	320,530	0	0	0	0	320,530
2,498,520	C&FS Fostering & Adoption	2,609,320	342,440	0	2,951,760	-49,950	2,901,810	0	0	0	0	2,901,810
1,527,760	Childrens Management	2,945,100	35,300	0	2,980,400	-63,000	2,917,400	0	0	0	0	2,917,400
23,289,840	C&FS Operational Placements	28,421,060	68,780	0	28,489,840	0	28,489,840	0	0	0	0	28,489,840
2,521,760	Children in Care Service	2,277,730	634,540	-104,500	2,807,770	-500	2,807,270	0	0	0	0	2,807,270
30,158,400	**Total Children in Care**	**36,520,780**	**1,884,020**	**-104,500**	**38,300,300**	**-863,450**	**37,436,850**	**0**	**0**	**0**	**0**	**37,436,850**
1,493,180	CPS North	1,492,570	174,130	0	1,666,700	0	1,666,700	0	0	0	0	1,666,700
1,103,080	CPS South	1,069,680	139,160	0	1,208,840	0	1,208,840	0	0	0	0	1,208,840
2,517,600	First Response	2,380,560	48,830	0	2,429,390	-29,000	2,400,390	0	0	0	0	2,400,390
1,541,730	CPS North/South	1,509,820	161,670	0	1,671,490	0	1,671,490	0	0	0	0	1,671,490
1,667,560	Strengthening Families	1,906,080	117,190	0	2,023,270	0	2,023,270	0	0	0	0	2,023,270
574,180	CSE	510,580	63,610	0	574,190	0	574,190	0	0	0	0	574,190
8,897,330	**Field Social Work**	**8,869,290**	**704,590**	**0**	**9,573,880**	**-29,000**	**9,544,880**	**0**	**0**	**0**	**0**	**9,544,880**
41,161,960	**TOTAL CHILDRENS SOCIAL CARE**	**47,709,980**	**2,974,610**	**-206,300**	**50,478,290**	**-1,234,580**	**49,243,710**	**0**	**0**	**0**	**0**	**49,243,710**
4,117,510	Children's Centre	2,731,790	1,247,080	0	3,978,870	0	3,978,870	0	0	0	0	3,978,870
2,082,690	Early Help Support Services	2,297,530	415,150	-591,830	2,120,850	-270	2,120,580	0	0	0	0	2,120,580
2,384,810	SLF Pooled Budget	3,484,420	815,330	-85,020	4,214,730	-1,129,920	3,084,810	0	0	0	0	3,084,810
1,720,110	Youth Offending Service	2,064,300	592,620	-168,100	2,488,820	-768,710	1,720,110	0	0	0	0	1,720,110
482,010	Community Safety	192,020	324,770	0	516,790	-36,000	480,790	0	0	0	0	480,790
10,787,130	**Total Targeted Early Help**	**10,770,060**	**3,394,950**	**-844,950**	**13,320,060**	**-1,934,900**	**11,385,160**	**0**	**0**	**0**	**0**	**11,385,160**
1,203,560	**Education Sufficiency**	**1,140,740**	**538,720**	**-224,900**	**1,454,560**	**-211,000**	**1,243,560**	**341,740**	**0**	**621,290**	**963,030**	**280,530**
34,366,710	C&FS 0-5 Learning	1,475,160	33,255,080	0	34,730,240	-297,380	34,432,860	0	34,090,490	0	34,090,490	342,370
2,079,980	C&FS 5-19 Learning	464,070	1,233,230	-114,780	1,582,520	-488,690	1,093,830	248,000	0	0	248,000	845,830
2,148,410	C&FS Education of Vulnerable Groups	0	2,204,410	0	2,204,410	-62,640	2,141,770	0	0	1,991,770	1,991,770	150,000
38,595,100	**Total Education**	**1,939,230**	**36,692,720**	**-114,780**	**38,517,170**	**-848,710**	**37,668,460**	**248,000**	**34,090,490**	**1,991,770**	**36,330,260**	**1,338,200**
58,112,800	C&FS SEN	704,480	57,340,940	-56,710	57,988,710	-356,100	57,632,610	0	0	57,005,400	57,005,400	627,210
3,404,300	C&FS Specialist Services to Vulnerable Groups	3,258,000	1,222,640	-336,590	4,144,050	-447,800	3,696,250	0	0	3,696,250	3,696,250	0
889,440	C&FS Psychology Service	1,061,870	56,180	-154,610	963,440	-199,000	764,440	0	0	0	0	764,440
3,144,650	C&FS Disabled Children Service	1,089,610	1,897,180	0	2,986,790	0	2,986,790	0	0	0	0	2,986,790
65,551,190	**Total SEND & Children with Disabilities**	**6,113,960**	**60,516,940**	**-547,910**	**66,082,990**	**-1,002,900**	**65,080,090**	**0**	**0**	**60,701,650**	**60,701,650**	**4,378,440**
1,157,200	C&FS Admin & Committees	844,760	573,040	0	1,417,800	0	1,417,800	8,570	0	0	8,570	1,409,230
636,100	Commissioning	694,990	43,640	-47,240	691,390	-55,300	636,090	0	0	0	0	636,090
467,880	C&FS Finance	0	484,120	0	484,120	0	484,120	484,120	0	0	484,120	0
1,519,910	C&FS Human Resources	0	1,567,410	0	1,567,410	-47,500	1,519,910	674,900	0	0	674,900	845,010
4,180	C&FS Sub Transformation	96,020	63,500	-159,520	0	0	0	0	0	0	0	0
3,785,270	**Total Business Support and Commissioning**	**1,635,770**	**2,731,710**	**-206,760**	**4,160,720**	**-102,800**	**4,057,920**	**1,167,590**	**0**	**0**	**1,167,590**	**2,890,330**
119,922,250	**TOTAL EDUCATION & EARLY HELP**	**21,599,760**	**103,875,040**	**-1,939,300**	**123,535,500**	**-4,100,310**	**119,435,190**	**1,757,330**	**34,090,490**	**63,314,710**	**99,162,530**	**20,272,660**
362,201,820	Total Individual Schools Budget	0	393,669,420	0	393,669,420	-13,465,320	380,204,100	380,144,210	0	59,890	380,204,100	0
1,694,000	Dedicated Schools Grant Recoupment	0	-263,693,430	0	-263,693,430	265,485,430	1,792,000	0	0	1,792,000	1,792,000	0
2,378,700	Central Charges	0	2,378,700	0	2,378,700	0	2,378,700	1,508,420	210,850	659,430	2,378,700	0
-465,778,780	Dedicated Schools Grant	0	0	0	0	-483,754,010	-483,754,010	-383,428,460	-34,345,570	-65,979,980	-483,754,010	0
-99,504,260	**TOTAL DSG ITEMS**	**0**	**132,354,690**	**0**	**132,354,690**	**-231,733,900**	**-99,379,210**	**-1,775,830**	**-34,134,720**	**-63,468,660**	**-99,379,210**	**0**
62,412,360	**TOTAL CHILDREN & FAMILY SERVICES**	**70,343,640**	**239,338,110**	**-2,145,600**	**307,536,150**	**-237,068,790**	**70,467,360**	**0**	**0**	**0**	**0**	**70,467,360**

APPENDIX E

ADULTS AND COMMUNITIES DEPARTMENT

REVENUE BUDGET 2018/19

Net Budget 2017/18 £		Employees £	Running Expenses £	Internal Income £	Gross Budget £	External Income £	Net Budget 2018/19 £
	Care Pathway - East Locality						
400,510	Heads of Service & Lead Practitioners (E)	376,780	51,800	0	428,580	0	428,580
2,182,480	Working Age Adults Team (E)	2,262,600	89,290	0	2,351,890	-239,620	2,112,270
1,552,270	Older Adults Team (E)	2,103,920	54,420	0	2,158,340	-493,410	1,664,930
781,780	Review Teams	1,733,220	101,360	0	1,834,580	-538,750	1,295,830
2,249,770	Safeguarding, DOLS and Court of Protection	1,371,520	1,942,550	0	3,314,070	-435,260	2,878,810
7,166,810	**TOTAL**	**7,848,040**	**2,239,420**	**0**	**10,087,460**	**-1,707,040**	**8,380,420**
	Care Pathway - West Locality						
-1,140,910	Heads of Service & Lead Practitioners (W)	294,150	134,510	0	428,660	-704,600	-275,940
2,982,060	Working Age Adults Team (W)	2,932,090	164,540	0	3,096,630	-142,480	2,954,150
2,432,630	Older Adults Team (W)	2,891,060	79,690	0	2,970,750	-204,410	2,766,340
1,363,150	Countywide Services	1,310,980	221,820	0	1,532,800	-248,100	1,284,700
5,636,930	**TOTAL**	**7,428,280**	**600,560**	**0**	**8,028,840**	**-1,299,590**	**6,729,250**
	Direct Services						
415,840	Direct Services Managers	432,540	3,800	0	436,340	0	436,340
4,097,070	Supported Living, Residential and Short Breaks	4,076,970	184,810	0	4,261,780	0	4,261,780
3,395,470	CLC / Day Services	2,987,670	230,880	-67,850	3,150,700	-55,450	3,095,250
328,820	Shared Lives Team	286,900	41,920	0	328,820	0	328,820
4,512,330	Reablement (HART) & Crisis Response	5,189,110	710,880	0	5,899,990	-1,655,000	4,244,990
1,161,460	Occupational Therapy	1,411,760	67,200	-2,100	1,476,860	-152,280	1,324,580
2,758,270	Aids, Adaptations and Assistive Technology	734,750	3,388,240	0	4,122,990	-1,605,600	2,517,390
195,100	Direct Services Review	22,000	-226,250	0	-204,250	-17,790	-222,040
16,864,360	**TOTAL**	**15,141,700**	**4,401,480**	**-69,950**	**19,473,230**	**-3,486,120**	**15,987,110**
	Early Intervention & Prevention						
544,030	Extra Care	0	714,220	0	714,220	0	714,220
83,290	Eligible Services	0	83,290	0	83,290	0	83,290
115,000	Primary (e.g. Information & Advice)	0	0	0	0	0	0
136,720	Secondary (e.g. Carers & Community Assessments)	0	1,502,900	-544,890	958,010	-726,290	231,720
159,010	Tertiary (e.g. Advocacy)	0	941,010	-782,000	159,010	0	159,010
1,038,050	**TOTAL**	**0**	**3,241,420**	**-1,326,890**	**1,914,530**	**-726,290**	**1,188,240**
	Strategic Services						
152,730	Heads of Strategic Services	164,580	2,300	0	166,880	0	166,880
1,859,270	Business Support	1,903,180	271,700	-569,720	1,605,160	0	1,605,160
1,203,800	Community Care Finance	1,284,500	737,980	-318,460	1,704,020	-161,240	1,542,780
394,920	IT & Information Support	341,810	70,260	0	412,070	-28,700	383,370
1,353,720	Commissioning & Quality	1,986,870	90,090	-75,930	2,001,030	-612,450	1,388,580
4,964,440	**TOTAL**	**5,680,940**	**1,172,330**	**-964,110**	**5,889,160**	**-802,390**	**5,086,770**
	Demand Led Commissioned Services						
55,681,440	Residential & Nursing Care	0	88,025,450	0	88,025,450	-34,096,650	53,928,800
1,430,000	Shared Lives Residential	0	1,450,000	0	1,450,000	0	1,450,000
13,941,160	Supported Living	0	14,736,160	0	14,736,160	0	14,736,160
15,575,880	Home Care	0	15,396,020	0	15,396,020	0	15,396,020
36,252,220	Direct Cash Payments	0	36,865,610	0	36,865,610	-1,198,400	35,667,210
4,992,650	Community Life Choices (CLC)	0	4,792,650	0	4,792,650	0	4,792,650
474,000	Shared lives - CLC	0	474,000	0	474,000	0	474,000
-19,450,700	Community Income	0	0	0	0	-20,892,880	-20,892,880
108,896,650	**TOTAL**	**0**	**161,739,890**	**0**	**161,739,890**	**-56,187,930**	**105,551,960**
-16,971,880	**Better Care Fund (Balance)**	241,840	5,286,590	-130,000	5,398,430	-22,370,810	-16,972,380
654,030	**Department Senior Management**	956,230	751,320	-741,200	966,350	0	966,350
2,140,000	**ASC Support Grant**	0	0	0	0	0	0
130,389,390	**TOTAL ASC**	**37,297,030**	**179,433,010**	**-3,232,150**	**213,497,890**	**-86,580,170**	**126,917,720**
	Communities and Wellbeing						
2,164,670	Libraries	2,296,170	425,600	0	2,721,770	-528,300	2,193,470
612,880	Heritage	711,420	274,710	0	986,130	-414,250	571,880
201,710	Records Office	433,100	61,420	0	494,520	-295,970	198,550
757,280	Museums & Creative Industries	573,090	239,470	0	812,560	-9,800	802,760
975,970	Collections & Support Resources	242,740	718,000	0	960,740	-7,700	953,040
498,740	C&W Senior Management	463,860	14,150	-14,780	463,230	0	463,230
267,590	Lifelong Learning	528,410	173,000	0	701,410	-415,000	286,410
0	Externally Funded Projects	347,750	303,780	-27,370	624,160	-627,570	-3,410
0	Adult Learning	3,940,660	982,810	-214,950	4,708,520	-4,708,520	0
-105,250	C&W Efficiencies	41,320	-179,250	-54,400	-192,330	0	-192,330
5,373,590	**TOTAL C&W**	**9,578,520**	**3,013,690**	**-311,500**	**12,280,710**	**-7,007,110**	**5,273,600**
135,762,980	**TOTAL ADULTS & COMMUNITIES**	**46,875,550**	**182,446,700**	**-3,543,650**	**225,778,600**	**-93,587,280**	**132,191,320**

APPENDIX E

PUBLIC HEALTH DEPARTMENT

REVENUE BUDGET 2018/19

Net Budget 2017/18 £		Employees £	Running Expenses £	Internal Income £	Gross Budget £	External Income £	Net Budget 2018/19 £
	PUBLIC HEALTH						
-25,528,000	Public Health Ring-Fenced Grant	0	0	0	0	-24,872,000	-24,872,000
1,715,280	Public Health Leadership	1,484,940	477,370	-312,000	1,650,310	-322,490	1,327,820
4,282,970	Sexual Health	0	4,228,610	0	4,228,610	0	4,228,610
600,000	NHS Health Check programme	0	548,050	0	548,050	0	548,050
115,000	Health Protection	0	115,000	0	115,000	0	115,000
656,000	Obesity Programmes	0	656,000	0	656,000	0	656,000
1,131,450	Physical Activity	0	1,131,450	0	1,131,450	0	1,131,450
3,869,250	Substance Misuse	0	3,868,690	0	3,868,690	0	3,868,690
774,410	Smoking & Tobacco	335,480	371,500	0	706,980	0	706,980
541,490	Local Area Co-ordination	684,620	38,200		722,820	-70,000	652,820
8,830,410	Childrens Public Health 0-19	0	8,827,510	0	8,827,510	0	8,827,510
174,180	Public Health Advice	558,280	119,900	-17,000	661,180	-156,700	504,480
393,500	Public Health Other Commissioned Activity	0	278,570	0	278,570	-3,400	275,170
1,356,390	Early Help and Prevention Services	0	1,326,890	0	1,326,890	0	1,326,890
0	Leicester-Shire and Rutland Sport	893,980	1,174,150	-1,194,260	873,870	-873,870	0
-1,087,670	**TOTAL PUBLIC HEALTH**	**3,957,300**	**23,161,890**	**-1,523,260**	**25,595,930**	**-26,298,460**	**-702,530**

APPENDIX E

ENVIRONMENT & TRANSPORT DEPARTMENT

REVENUE BUDGET 2018/19

Budget 2017/18 £		Employees £	Running Expenses £	Internal Income £	Gross Budget	External Income £	Net Budget 2018/19 £
	HIGHWAYS & TRANSPORTATION						
734,200	Management & Training costs	901,800	318,300	-9,000	1,211,100	-476,900	734,200
	Commissioning						
1,964,500	Staffing & Admin	5,775,100	357,700	-1,900,300	4,232,500	-2,688,000	1,544,500
1,340,100	Traffic Controls	0	1,715,100	-300,000	1,415,100	-75,000	1,340,100
255,900	Road Safety	313,800	515,400	-450,600	378,600	-122,700	255,900
0	Speed Awareness	163,600	1,762,000	371,300	2,296,900	-2,296,900	0
300,300	Sustainable Travel	0	301,200	0	301,200	-900	300,300
	Delivery						
1,155,100	Staffing, Admin. & Depot Overhead Costs	6,957,500	1,065,400	-5,210,000	2,812,900	-2,207,800	605,100
3,372,000	Environmental Maintenance	1,139,100	2,454,900	0	3,594,000	-72,000	3,522,000
3,295,300	Street Lighting Maintenance	0	2,351,600	0	2,351,600	-56,300	2,295,300
1,490,800	Reactive Maintenance (Structural & Safety)	419,700	1,521,100	0	1,940,800	0	1,940,800
1,628,800	Winter Maintenance	0	1,628,800	0	1,628,800	0	1,628,800
-3,416,000	Capital revenue Switch			-3,416,000	-3,416,000		-3,416,000
	Transport Operations						
1,167,400	Staffing & Admin	2,578,900	763,000	-1,922,300	1,419,600	-252,200	1,167,400
9,442,500	Special Education Needs	0	9,536,500	0	9,536,500	-179,000	9,357,500
4,166,700	Mainstream School Transport	0	4,365,700	0	4,365,700	-199,000	4,166,700
3,712,800	Social Care Transport	0	3,560,300	0	3,560,300	-112,500	3,447,800
203,000	Fleet Transport	3,434,100	1,674,500	-4,571,300	537,300	-334,300	203,000
5,051,600	Concessionary Travel & Joint Arrangements	0	14,116,000	0	14,116,000	-9,064,400	5,051,600
2,464,300	Public Bus Services	0	3,862,000	-180,800	3,681,200	-1,316,900	2,364,300
37,200	Blue Badge	0	157,200	0	157,200	-120,000	37,200
0	Civil Parking Enforcement	0	1,471,800	0	1,471,800	-1,471,800	0
38,366,500	**TOTAL**	**21,683,600**	**53,498,500**	**-17,589,000**	**57,593,100**	**-21,046,600**	**36,546,500**
	ENVIRONMENT & WASTE MANAGEMENT						
359,800	Management	357,000	2,800	0	359,800	0	359,800
	Policy & Strategy						
958,200	Staffing & Admin	964,500	46,800	-39,100	972,200	-14,000	958,200
307,700	Initiatives	0	330,000	0	330,000	-22,300	307,700
3,188,800	Recycling & Reuse Credits	0	298,800	0	298,800	0	298,800
	Design & Delivery						
221,200	Staffing & Admin	241,200	0	0	241,200	-20,000	221,200
6,181,000	Landfill	0	6,041,000	0	6,041,000	0	6,041,000
10,797,200	Treatment Contracts	0	10,642,200	0	10,642,200	0	10,642,200
0	Dry Recycling	0	1,690,000	0	1,690,000	0	1,690,000
1,650,000	Composting Contracts	0	1,600,000	0	1,600,000	0	1,600,000
2,897,000	Recycling & Household Waste Sites	2,079,100	1,377,600	-200,000	3,256,700	-709,700	2,547,000
1,581,900	Haulage & Waste Transfer	55,900	1,526,000	0	1,581,900	0	1,581,900
-1,161,000	Income	0	0	0	0	-1,241,000	-1,241,000
26,981,800	**TOTAL**	**3,697,700**	**23,555,200**	**-239,100**	**27,013,800**	**-2,007,000**	**25,006,800**
	DEPARTMENTAL AND BUSINESS MANAGEMENT						
1,273,100	Management & Admin	1,281,800	24,600	-33,300	1,273,100	0	1,273,100
454,200	Departmental Costs	0	454,200	0	454,200	0	454,200
1,727,300	**TOTAL**	**1,281,800**	**478,800**	**-33,300**	**1,727,300**	**0**	**1,727,300**
67,075,600	**TOTAL ENVIRONMENT & TRANSPORT**	**26,663,100**	**77,532,500**	**-17,861,400**	**86,334,200**	**-23,053,600**	**63,280,600**

APPENDIX E

CHIEF EXECUTIVE'S DEPARTMENT

REVENUE BUDGET 2018/19

Budget 2017/18 £		Employees £	Running Expenses £	Internal Income £	Gross Budget	External Income £	Net Budget 2018/19 £
	DEMOCRATIC SERVICES, ADMIN & CIVIC AFFAIRS						
1,339,530	Democratic Services and Administration	1,284,420	125,290	-6,500	1,403,210	-63,330	1,339,880
114,000	Subscriptions	0	114,000	0	114,000	0	114,000
211,480	Civic Affairs	69,400	155,000	0	224,400	-43,000	181,400
1,665,010	**TOTAL**	**1,353,820**	**394,290**	**-6,500**	**1,741,610**	**-106,330**	**1,635,280**
1,718,250	**LEGAL SERVICES**	2,586,710	147,350	-474,280	2,259,780	-466,500	1,793,280
3,741,150	**STRATEGIC AND BUSINESS INTELLIGENCE**	3,340,330	2,130,340	-1,040,280	4,430,390	-891,590	3,538,800
267,700	**EMERGENCY MANGEMENT AND RESILLIENCE**	484,900	52,630	0	537,530	-289,460	248,070
	REGULATORY SERVICES						
1,459,580	Trading Standards	1,578,250	197,030	-145,000	1,630,280	-231,000	1,399,280
983,480	Coroners	169,380	849,900	0	1,019,280	-40,000	979,280
-239,960	Registrars	830,250	58,410	0	888,660	-1,117,400	-228,740
2,203,100	**TOTAL**	**2,577,880**	**1,105,340**	**-145,000**	**3,538,220**	**-1,388,400**	**2,149,820**
490,490	**PLANNING SERVICES**	859,250	233,960	-57,500	1,035,710	-585,000	450,710
262,540	**DEPARTMENTAL ITEMS**	135,020	647,280	-660,000	122,300	0	122,300
10,348,240	**TOTAL CHIEF EXECUTIVES**	**11,337,910**	**4,711,190**	**-2,383,560**	**13,665,540**	**-3,727,280**	**9,938,260**

APPENDIX E

CORPORATE RESOURCES DEPARTMENT

REVENUE BUDGET 2018/19

Budget 2017/18 £		Employees £	Running Expenses £	Internal Income £	Gross Budget £	External Income £	Net Budget 2018/19 £
	Strategic Finance, Assurance, Property & EMSS						
1,440,000	Strategic Property	1,256,560	491,520	-110,000	1,638,080	-99,000	1,539,080
2,611,260	Strategic Finance & Investments	2,522,060	144,940	-175,230	2,491,770	-144,490	2,347,280
757,260	Care Finance	600,420	108,200	0	708,620	-8,580	700,040
397,680	Internal Audit	858,330	16,450	-32,000	842,780	-500,250	342,530
1,848,130	Insurance	253,920	2,742,740	-1,063,810	1,932,850	-106,150	1,826,700
146,200	Corporate Projects	0	83,100	0	83,100	0	83,100
0	Pensions	985,600	0	-985,600	0	0	0
1,182,830	EMSS	3,735,300	2,473,400	-659,000	5,549,700	-4,413,610	1,136,090
8,383,360	**Total Director of Finance**	**10,212,190**	**6,060,350**	**-3,025,640**	**13,246,900**	**-5,272,080**	**7,974,820**
	People, Information & Technology and Transformation						
1,064,320	Human Resources	1,275,120	54,500	-180,290	1,149,330	-50,000	1,099,330
431,260	Health & Safety	342,810	28,470	0	371,280	0	371,280
188,390	Trade Union	187,610	1,350	0	188,960	0	188,960
1,557,140	Learning & Development	852,060	989,280	-47,210	1,794,130	-392,980	1,401,150
833,180	Commissioning Support Unit	997,430	31,000	-50,000	978,430	0	978,430
9,395,580	Information & Technology	6,248,260	3,396,790	-634,060	9,010,990	-278,880	8,732,110
1,129,520	Transformation Unit	3,100,630	39,700	-2,005,530	1,134,800	0	1,134,800
0	Centre of Excellence	867,200	332,800	0	1,200,000	-1,200,000	0
14,599,390	**Total Corporate Services**	**13,871,120**	**4,873,890**	**-2,917,090**	**15,827,920**	**-1,921,860**	**13,906,060**
	Customer & Property Services (excl trading)						
1,908,040	Customer Service Centre	1,849,820	50,250	-97,000	1,803,070	-25,000	1,778,070
1,145,230	CR Management and Business Support	1,333,520	210,200	-114,640	1,429,080	-13,600	1,415,480
1,227,750	Marketing and Communications	1,103,950	313,730	-144,000	1,273,680	-45,700	1,227,980
2,249,940	County Hall and Locality Premises Costs	274,850	2,756,620	-33,600	2,997,870	-606,000	2,391,870
879,910	C&F, A&C and R&HW Sites	0	761,440	0	761,440	-15,000	746,440
983,120	Library & Community Premise Costs	0	1,023,570	0	1,023,570	0	1,023,570
192,730	Vacant properties and unattached land	0	271,770	0	271,770	-122,000	149,770
659,680	Facilities Mgmt Premises Support	744,660	74,620	-156,500	662,780	0	662,780
418,360	Property Services Business Support	398,580	13,010	0	411,590	0	411,590
129,650	Postal Services	90,980	59,740	-23,770	126,950	-1,850	125,100
72,220	Traveller Services	207,920	56,860	-15,000	249,780	-182,440	67,340
-50,000	Caretakers Houses	0	380	0	380	-50,000	-49,620
466,520	Supported Employment	524,850	0	0	524,850	0	524,850
2,834,000	Major Condition Improvement Works	0	3,500,000	-1,100,000	2,400,000	0	2,400,000
-955,500	Farms and Industrial Properties	146,840	1,894,150	0	2,040,990	-3,126,500	-1,085,510
12,161,650	**Total Customer & Property Services**	**6,675,970**	**10,986,340**	**-1,684,510**	**15,977,800**	**-4,188,090**	**11,789,710**
-1,995,400	**Total Commercial Services**	**14,785,920**	**9,394,060**	**-9,517,810**	**14,662,170**	**-17,273,550**	**-2,611,380**
10,166,250	**Total Customer & Commercial Services**	**21,461,890**	**20,380,400**	**-11,202,320**	**30,639,970**	**-21,461,640**	**9,178,330**
33,149,000	**TOTAL CORPORATE RESOURCES**	**45,545,200**	**31,314,640**	**-17,145,050**	**59,714,790**	**-28,655,580**	**31,059,210**

APPENDIX E

CENTRAL ITEMS

REVENUE BUDGET 2018/19

Net Budget 2017/18 £		Employees £	Running Expenses £	Internal Income £	Gross Budget	External Income £	Net Budget 2018/19 £
22,800,000	**FINANCING OF CAPITAL**	0	26,284,000	-54,000	26,230,000	-3,730,000	22,500,000
	REVENUE FUNDING OF CAPITAL						
16,850,000	Revenue Funding of Capital	0	28,500,000	0	28,500,000	0	28,500,000
-1,000,000	Contribution from Earmarked Funds	0	0	0	0	0	0
15,850,000		0	28,500,000	0	28,500,000	0	28,500,000
	CENTRAL EXPENDITURE						
-375,000	Financial Arrangements	0	304,000	-254,000	50,000	-525,000	-475,000
1,266,300	Members Expenses & Support etc	106,000	1,100,000	0	1,206,000	0	1,206,000
200,000	Elections	0	200,000	0	200,000	0	200,000
285,000	Flood Defence levies	0	296,000	0	296,000	0	296,000
1,850,000	Pensions (pre LGR /LGR)	0	1,800,000	0	1,800,000	0	1,800,000
60,000	Contributions to Discretionary Discount Funds	0	0	0	0	0	0
65,000	Contributions to LCTS Administration costs	0	0	0	0	0	0
3,351,300		106,000	3,700,000	-254,000	3,552,000	-525,000	3,027,000
	CENTRAL GRANTS AND OTHER INCOME						
-1,600,000	Bank & other interest	0	0	0	0	-2,280,000	-2,280,000
-385,000	Local Services Support Grant	0	0	0	0	-385,000	-385,000
-3,903,000	New Homes Bonus Grant	0	0	0	0	-3,640,000	-3,640,000
-142,000	New Homes Bonus - element of top slice returned	0	0	0	0	0	0
-2,195,000	Education Services Grant	0	0	0	0	-1,457,000	-1,457,000
-3,306,000	Transitional Grant	0	0	0	0	0	0
-2,425,000	Adult Social Care Support Grant	0	0	0	0	0	0
0	Improved Better Care Fund Grant	0	0	0	0	-5,582,000	-5,582,000
-13,956,000		0	0	0	0	-13,344,000	-13,344,000
28,045,300	**TOTAL CENTRAL ITEMS**	**106,000**	**58,484,000**	**-308,000**	**58,282,000**	**-17,599,000**	**40,683,000**

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CHILDREN & FAMILY SERVICES - CAPITAL PROGRAMME 2018/19 to 2021/22

Gross Cost of Project £000		2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
	Provision of Additional Primary Places:					
5,703	Barwell Area Places	2,890				2,890
3,200	Burbage Sketchley Hill Primary	1,700				1,700
2,140	Shepshed Newcroft Primary	2,140				2,140
2,500	Hinckley Richmond Primary	610				610
760	Anstey Latimer Primary	760				760
500	Barrow Hall Orchard CE Primary	500				500
4,160	Ashby - Potential New School	0	4,160			4,160
2,200	Hugglescote Community Primary	0	2,200			2,200
620	Thurnby Primary	0	620			620
630	Broughton Astley Primary	0	630			630
15,300	Admission Requirements / Minor Schemes to be defined	3,790	11,510			15,300
	Sub Total - Provision of Primary Places	**12,390**	**19,120**	**0**	**0**	**31,510**
3,870	To seek opportunities to address structural changes to the pattern of education - 10+ retention	300				300
400	DDA / Schools Access / Safeguarding	200	200			400
2,650	SEND Programme	1,230	710	710		2,650
6,800	Strategic Capital Maintenance*	2,500	2,300	2,000		6,800
	Sub-total	**4,230**	**3,210**	**2,710**	**0**	**10,150**
1,800	Schools Devolved Formula Capital *	700	600	500		1,800
	Overall Total	**17,320**	**22,930**	**3,210**	**0**	**43,460**

* - awaiting Government announcement.

Future Developments - subject to further detail and approved business case S106 Schemes - externally funded					

ADULTS & COMMUNITIES - CAPITAL PROGRAMME 2018/19 to 2021/22

Gross Cost of Project £000		2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
	New Starts					
560	Danemill Annex - co-locate the Adult Learning Service into a single facility within Enderby	560				560
440	Mountsorrel - Transforming Care Step Down Accommodation (NHS Bid)	440				440
390	Hinckley, The Trees (refurbishment)	390				390
1,010	Smart Libraries - Invest to Save	890	20			910
250	Libraries - reconfiguration of space	250				250
14,520	Better Care Fund / Disabled Facilities Grant *	3,630	3,630	3,630	3,630	14,520
	Total A&C	**6,160**	**3,650**	**3,630**	**3,630**	**17,070**

* - awaiting Government announcement.

Future Developments - subject to further detail and approved business case	
Collections Hub/ Records Office / Replace/New Parking	Report on Business Case planned to Cabinet April 2018
Artworks Collections Relocation - to release existing site - subject to collections hub decision	Can be delivered in advance of main project
Health and Social Care Service User Accommodation - Supported Living	
Health and Social Care Service User Accommodation - Extracare	

PUBLIC HEALTH CAPITAL PROGRAMME 2018/19 to 2021/22

Gross Cost of Project £000		2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
480	Integrated Sexual Health Service Accommodation - subject to business case	480				480
	Total Public Health	**480**	**0**	**0**	**0**	**480**

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2018/19 to 2021/22

Gross Cost of Project £000		2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
	HIGHWAYS & TRANSPORT					
	Commitments b/f					
3,980	Zouch Bridge Replacement	1,160	600			1,760
5,200	Advance Design - Strategic Economic Partnership	1,330	1,100	920	1,850	5,200
4,000	Planning and Design - Melton Mowbray Distributor Road	1,500	2,500			4,000
6,750	County Council Vehicle Programme	1,840	2,060	1,750	1,100	6,750
1,250	Melton Depot - Replacement	0	1,250			1,250
25,000	Street Lighting (LED Installation,CMS System and de-illumination of street signs)	5,000				5,000
		10,830	**7,510**	**2,670**	**2,950**	**23,960**
	New Starts					
	Strategic Economic Plan (SEP)					
7,800	Anstey Lane A46	5,000	2,800			7,800
27,000	M1 Junction 23	5,000	11,000	11,000		27,000
48,850	Transport Asset Management*		12,290	11,490	11,510	35,290
	Capital Schemes and Design	1,160				1,160
	Bridges	1,960				1,960
	Flood Alleviation	390				390
	Footways (Category 1,2,3 & 4)	500				500
	Street Lighting	650				650
	Traffic Signal Renewal	230				230
	Surface Dressing & Preventative Maintenance	3,850				3,850
	Restorative (Patching)	4,820				4,820
4,970	Hinckley Hub (Hawley Road)	1,440	3,530			4,970
410	Croft Office Blocks Improvements	410				410
500	Safety Schemes	500				500
80	Highways Maintenance - IT renewals	80				80
		25,990	**29,620**	**22,490**	**11,510**	**89,610**
	ENVIRONMENT & WASTE					
	New Schemes					
360	Recycling Household Waste Sites - drainage	250	110			360
600	Recycling Household Waste Sites - general improvements	150	150	150	150	600
	Total Waste Management	**400**	**260**	**150**	**150**	**960**
	Total E&T	**37,220**	**37,390**	**25,310**	**14,610**	**114,530**

* - awaiting Government announcement.

* programme amended by -£3.4m (2018/19), -£3.2m (2019/20), -£3.1m (2020/21) and -£3.1m (2021/22) for substitution to E&T revenue budget

Future Developments - subject to further detail and approved business case					
S106 Schemes - externally funded tbc					
County wide parking strategy					
Speed Cameras - Roll out					
Melton Mowbray Distributor Road - subject to DfT bid					
Waste Transfer Station Development					
Windrow Composting Facility					

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2018/19 to 2021/22

Gross Cost of Project £000		2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
400	Shire Community Solutions Grants	100	100	100	100	400
	Rural Broadband Scheme					
9,100	Rural Broadband Scheme - Phase 2	1,210				1,210
5,170	Rural Broadband Scheme - Phase 3	2,590	2,580			5,170
		3,800	**2,580**	**0**	**0**	**6,380**
	Total Chief Executives	**3,900**	**2,680**	**100**	**100**	**6,780**

Future Developments - subject to further detail and approved business case					
Coroners relocation					
Relocation of Hinckley Registry Office					

CORPORATE RESOURCES - CAPITAL PROGRAMME 2018/19 to 2021/22

Gross Cost of Project £000		2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
	ICT					
460	Wide Area Network (WAN) Replacement	460				460
1,230	Storage Area Network (SAN) / Server Replacement	980	250			1,230
560	Windows 10 & Office 2016 - Upgrade	400	160			560
900	Local Area Network (LAN) Edge Refresh - County Hall & Remote sites	0	450	200		650
320	Firewall replacements	0	0	140	180	320
100	CSC Telephony System Replacement	100				100
	Sub total ICT	**1,940**	**860**	**340**	**180**	**3,320**
	Strategic Property					
500	Central Maintenance Fund - major works	500				500
1,550	Snibston & Country Park Future Strategy	1,000	550			1,550
100	Electric Vehicle Car Charge points (County Hall and other sites)	100				100
	Sub total Strategic Property	**1,600**	**550**	**0**	**0**	**2,150**
	Total Corporate Resources	**3,540**	**1,410**	**340**	**180**	**5,470**

Future Developments - subject to further detail and approved business case	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Digital Services					
ICT - Collaboration - (MS sharepoint)					
Commercial Investments					
Major System Replacements (e.g. IAS, Frameworki, STADS)					
Fit for the Future					
Integrated Point Of Access					
Workplace Strategy					
Sprinklers in Special Schools - Retro-fit project					
District Heating					
Watermead Country Park - Bridge (LCC contribution)					
Great Central Way - LCC contribution					

CORPORATE - CAPITAL PROGRAMME 2018/19 to 2021/22

Gross Cost of Project £000		2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
	Corporate Asset Investment Fund (CAIF)					
21,250	LUSEP Development	7,500	13,750			21,250
2,450	LUSEP Land Acquisition	1,070				1,070
12,630	Embankment House, Nottingham	12,630				12,630
6,330	Airfield Business Park - Phase 1	2,730	3,300			6,030
5,500	East of Lutterworth SDA	2,280	500			2,780
4,970	Coalville Workspace Project - Vulcan Way	0	1,500			1,500
800	County Farms Estate - General Improvements	200	200	200	200	800
300	County Farms Estate - Farmhouse Replacement (Winfrey Farm)	300				300
1,000	Industrial Properties Estate - General Improvements	250	250	250	250	1,000
49,000	Asset Acquisitions / New Investments - subject to Business Case*	0	14,000	15,000	20,000	49,000
	Sub total CAIF	**26,960**	**33,500**	**15,450**	**20,450**	**96,360**
	Energy Strategy					
110	Energy Efficiency Standards - Energy Performance Certificate Requirements	30	30	30	20	110
1,550	Energy & Water Strategy - Invest to Save	800	250	250	250	1,550
3,000	Score + (Schools Energy Trading)	1,000	1,000	1,000		3,000
	Sub total Energy Strategy	**1,830**	**1,280**	**1,280**	**270**	**4,660**
	Total Corporate Programme	**28,790**	**34,780**	**16,730**	**20,720**	**101,020**

Future Developments - subject to further detail and approved business cases	
*CAIF - Asset Acquisitions / New Investments County Farms Estate - Compliance and Renewal Programme Quorn Industrial Development Solar Farm Billesdon Employment Units Airfield Business Park Phase 2 Leaders Farm, Lutterworth East of Lutterworth SDA - Phase 2 Bardon Interlink Sysonby Farm employment and commercial development Stoney Stanton SDA	Decisions taken in accordance with the Corporate Asset Investment Fund Strategy and governance from the CAIF advisory board.
Ash Dieback	Work underway to assess the impact

APPENDIX G

CAPITAL STRATEGY 2018-22

Introduction

This strategy sets out the County Councils approach to compiling the capital programme, its priorities, availability of funding and financial management.

The County Councils capital programme is derived primarily from the Strategic Plan. It aligns with departmental commissioning and service plans to ensure a prioritised, joined up use of resources to maximise outcomes for all Leicestershire service users, citizens and other stakeholders.

The Chartered Institute of Public Finance (CIPFA) have recently updated the requirements for a capital strategy which should be adopted from 2019/20. This strategy (and the Corporate Asset Investment Fund Strategy and Treasury Management Strategy) includes the main requirements but will be developed further over the next year to ensure that it fully complies with the new requirements from 2019/20.

The overall approach to developing the capital programme is based upon the following key principles;

- To invest in priority areas including schools, roads, and other essential infrastructure, economic growth and projects that generate positive financial returns.
- Passport central government capital grants received for key priorities for highways and education to those departments.
- Maximise other sources of income such bids to the LLEP, section106 housing developer contributions and other external funding agencies.
- Maximise the achievement of capital receipts.
- No or limited prudential borrowing (only if the returns exceed the borrowing costs).

Funding Sources

Due to the challenging financial environment the capital programme, where possible, will be funded without increasing the impact upon the County Council's on-going revenue budget. One off revenue contributions will be used to support the capital programme resources when prioritisation cannot contained the demand.

In recent years the on-going revenue position has been successfully managed by funding the capital programme from a combination of central government grant allocations, other external grants, capital receipts, external contributions and one off revenue contributions. No new prudential borrowing is planned.

The approach to funding is:

External Funding

- Central Government Grants – passport grants to the relevant departments, even when not ring fenced.

- External Grants - maximise bids for funding from external sources including providing matched funding where appropriate to do so, subject to approval of fulfilment conditions and any contingent liabilities.
- External Contributions – maximise section 106 claims/ contributions to cover the full capital costs.

Discretionary Programme

- Capital Receipts – maximise individual receipts and use to fund the discretionary capital programme.
- Earmarked Capital Receipts – only to be used in situations where this is an unavoidable requirement of an external party, for example, there is a requirement to gain DfE approval for the disposal of education assets, with the related receipts to be earmarked to education assets. These will be reviewed on a case by case basis to ensure the requirement is met and to consider options for substitution of discretionary funding where appropriate.
- Revenue underspends and surplus earmarked funds – review opportunities as they arise to contribute to the discretionary capital programme.
- Prudential borrowing – only to be used after all other available funding and only then where the incremental costs are fully funded from savings from the new investment. Internal borrowing (from County Council cash balances) would be prioritised over external borrowing.
- Leasing – Due to the County Council's ability to access relatively inexpensive funding rental/ lease proposals need to be appraised to ensure additional benefits justify the financing cost.

Other

- Renewal Earmarked Funds – held to make an annual contribution reflecting the life and replacement cost of the asset. Use when the service is externally funded (commercial, partnerships, specific grants) or small scale asset owned by an individual service. Larger more significant assets will be funded through the discretionary capital programme.
- Building Maintenance – funded through the Central Maintenance (revenue) Fund (CMF). Significant lifecycle replacements to be funded through the discretionary capital programme.
- Tax Incremental Financing (TIF) – investment repaid from additional income generated, for example additional Business Rates.

Capital Requirements

Children's and Family Services

Demand	£	Funding
Meet demand for new school places.	High	Central Government grants Developer contributions (section 106)
Maintenance and renewal for: Maintained school estate Children's Centres	 High Low	 Central Government grants Discretionary Programme
Children's social care (minimal demand as commissioned service)	Low	Spend to save

APPENDIX G

Adults and Communities

Demand	£	Funding
Disabled Facilities Grant	Mid	Central Government grants
Maintenance and renewal for: Libraries & Heritage Community Libraries	 Low Low	 Discretionary programme Support external funding bids
Adult Social Care* (minimal demand from commissioned service)	Low	Spend to save

* Supported Living accommodation for working age adults, shown under future developments

Public Health

Demand	£	Funding
Public Health (minimal demand from commissioned service)	Low	Spend to save

Environment and Transport

Demand	£	Funding
Maintenance of the highway infrastructure (using asset management principles)	High	Central Government grants Discretionary programme
Improvement to the highway infrastructure Major schemes Minor Schemes Advanced Design	 Mid Mid Mid	External Funding Central Gov't grants (inc. LLEP, TIF) Central Government grants Discretionary programme
County Council vehicle replacement programme	Mid	Discretionary programme
Maintenance and renewal of waste management infrastructure	Mid	Discretionary programme

Chief Executives

Demand	£	Funding
Economic Development (e.g. Broadband)	Mid	Central Government and External grants Discretionary programme (inc. TIF)
Programme of small shire community grants	Low	Discretionary programme
Other Services	Low	Spend to save, Discretionary programme

Corporate Resources

Demand	£	Funding
ICT Infrastructure Renew and expand the current corporate estate Major ICT upgrades and replacements	Mid	 Discretionary programme Discretionary programme + Spend to save
Property Estate* Regulatory compliance Expansion and replacement	Mid	 Discretionary programme Spend to save
Commercial Services Replacement Expansion/Improvement	 Low	 Renewal reserve Spend to save
Transformation/change	Low	Spend to save

* maintenance of current properties funded from central maintenance fund (revenue budget)

APPENDIX G

Corporate Programme

Demand	£	Funding
Corporate Asset Investment Fund	High	Spend to save
Deliver energy and water strategy	Mid	Spend to save

Future Developments Programme

Demand	£	Funding
Including: Collections and Records Hub, Health and Social Care Service User Accommodation, Melton Mowbray Distributer Road, Oracle Replacement, Workspace Strategy, Fire Safety.	High	One off revenue and earmarked fund contributions Reinvest returns Spend to save

External Funding

To ensure that funding is at the required level the following approach will be taken.

Children and Family Services
Maximise DfE capital grant through up to date capacity assessments and school place data. Submit bids, where appropriate to do so, for additional DfE capital funding when available. Take opportunities to lobby the DfE for additional funding.

Adults and Communities
Work with District Councils and other partners to ensure that the Disabled Facilities Grant is at an appropriate level and how it is spent to reduce the costs of adult social care. Take opportunities to lobby the Department of Health for Social Care infrastructure grants.

Environment and Transport
Attain Highways Infrastructure Asset Management Planning Level 3 by April 2018 and maintain. Invest in advance design and business case development work focused on government priorities to access capital grants (which are increasingly being channelled through bidding processes) and developer funding.

Section 106 Contributions
Maximise section 106 contributions through recovery of the total costs of required developments and regular review of key assumptions used (at least annually). Where funding of capital expenditure is required in advance of the receipt of section 106 income (usually paid on completion of trigger points) projects may require initial cash flow by the County Council or from rescheduling grant expenditure. This will be kept to a minimum, but where it is required, for instance highway infrastructure for new housing developments, to minimise risks developers will be engaged early in the process and by ensuring that section 106 agreements are robust.

Tax Incremental Financing
The County Council will work with District Councils on construction schemes that unlock infrastructure and housing growth and seek agreements to repay fund the work from linked Council Tax, Business Rates growth and additional New Homes Bonus Scheme grant.

APPENDIX G

Summary
The 4 year capital programme 2018-22 totals £289m. External funding from capital grants, section 106 agreements and third party contributions totals £175m. Without this funding being available schemes of any significant size would not be affordable by the County Council.

Discretionary Funding

The discretionary capital programme totals £114m for the period 2018-22. Funding is from the sale of County Council capital assets (capital receipts), MTFS revenue contributions or surplus earmarked funds. Discretionary funding can also include prudential funding, which is unsupported by central government with the costs of financing borrowing undertaken falling on the County Councils revenue budget.

Capital receipts
Property Services are responsible for identifying additional capital receipts and maximising the sale value of surplus assets. Property Services will seek opportunities to maximise the value of surplus land, for instance by obtaining planning permission. The targets for new capital receipts to fund the 2018-22 capital programme, are:

2018/19	£13.1m
2019/20	£5.0m
2020/21	£1.5m
2021/22	£1.5m
Total	£21.1m

The estimates are higher in the earlier years reflecting the increased confidence in the sale of those assets. The targets will need adjusting to reflect shortfalls in previous years (if applicable) and any new spend to save or linked projects where funding for expenditure is advanced on the condition that future receipts are generated to fund the expenditure.

Revenue Funding
The capital programme 2018-22 includes a total of £85m in MTFS revenue funding of capital and surplus earmarked capital receipts.

On-going revenue - £2m is allocated in the MTFS.

One-off revenue - £83m is allocated in the MTFS. These have arisen from past:
- Opportunities from underspends – cannot be relied upon going forward.
- MTFS risk contingency
- Surplus earmarked funds no longer required

Other Earmarked Funds
These include earmarked capital receipts, surplus capital receipts from prior years and funds repaid under the Local Authority Mortgage Scheme (LAMS) and total £8m over the 2018-22 capital programme.

By using the funding available, the discretionary capital programme can be funded without any new borrowing.

If new unavoidable items or spend to save are identified during the MTFS, options to increase capital receipts and identify further revenue funding will be reviewed first. If these are not available then prudential borrowing will be considered, subject to the prudential indicators. In considering prudential borrowing using internal cash balances will be prioritised over raising new external loans. This has the advantage of avoiding debt interest payments which are expected to exceed current interest rates.

For invest to save schemes, a discount rate of 5% will be used (3.5% for energy projects) as part of the net present value assessment in the business case. Only projects that show a positive return using these rates will be considered for inclusion in the capital programme.

Affordability

The impact of the discretionary programme on the revenue budget, and forecast at the end of the MTFS is:

£m	2013/14	2014/15	2015/16	2016/17	2017/18	2021/22
Revenue	1.7	1.7	1.7	1.7	1.7	1.7
MRP	13.6	12.7	12.0	11.4	10.8	6.5
Interest	12.0	11.9	12.0	12.1	12.0	12.8
On-going revenue Total	**27.3**	**26.3**	**25.7**	**25.2**	**24.5**	**21.0**
% Revenue budget	7.7%	7.5%	7.4%	7.3%	7.0%	5.8%
Voluntary MRP	8.4	6.4	2.9	4.5	0.0	0.0
One-off revenue	17.0	8.4	6.1	8.8	16.1	0.0
One-off revenue	**25.4**	**14.8**	**9.0**	**13.3**	**16.1**	**0.0**
Total	**52.7**	**41.1**	**34.7**	**38.5**	**40.6**	**21.0**
% Revenue budget	14.8%	11.7%	9.9%	11.1%	11.7%	5.8%

To ensure the discretionary programme remains affordable the following approach is taken to manage the MRP and interest charges:

- No new borrowing to finance capital expenditure (last time was in 2012).
- Where new borrowing is needed to use temporary internal balances from the overall council cash balances in advance of their designated use.
- Review opportunities to repay debt.
- Re-profile MRP to be commensurate with the average age of assets funded from borrowing and delay the impact on the revenue budget. This is planned from 2020/21. It should be noted that this does not reduce the amount to be set aside but simply delays the period over which it is to be paid.

By 2021/22 by taking the above actions it is forecast to reduce the on-going revenue charge to £21.0m (5.8% of the revenue budget). By the end of the MTFS the annual cost will have been reduced by £6.3m, reducing the need for service reductions.

Capital Financing Requirement (Borrowing)

The Councils borrowing requirement is contained with the Capital Financing Requirement (CFR). The CFR is the measure of the Council's historic need to borrow for capital purposes. As at 31st March 2018 the CFR is forecast to be £257m compared with actual debt of £265m. The difference is a temporary 'over-borrowed' position pending future scheduled debt repayments and opportunities to repay debt early. The current cost of borrowing is £22.8m per annum in financing costs (external interest and MRP) which is met from the revenue budget. Where prudential borrowing is approved this would have the effect of increasing the CFR. As the CFR exceeds actual debt borrowed, if the Council was to undertake new prudential borrowing it would review options to use internal working cash balances instead of taking out new external borrowing. Over the period of the MTFS the over-borrowed position is forecast to increase to £39m. The Prudential Indicators show the CFR remaining at £257m over the next four years to allow provision to potentially use part of the over borrowed position to provide flexibility to raise prudential borrowing (funded from internal borrowing) to fund future capital developments and the Corporate Asset Investment Fund if needed.

The detailed approach to this is covered in the Treasury Management Strategy, approved by the County Council annually in February.

Financial Management of the Capital Programme

Prioritising the Programme

The approach to compiling the capital programme is through a combination of service requirements developed by each relevant department, statutory requirements and asset management planning.

For land and building assets, Strategic Property, in conjunction with service areas, develops all the estate strategies, asset management plans and property elements of the corporate capital and revenue programmes. They seek to ensure that the County Council is making full use of all assets, and any under-performing or surplus assets are identified and dealt with by either their disposal or investment to improve their usage. Outcomes from condition survey information together with on-going reviews of the property portfolio feed into the capital programme and revenue budget. The Corporate Asset Management Plan, which promotes the rationalisation of property assets, reducing running costs and cost effective procurement of property and property services is reported annually to the Cabinet.

The County Council operates the Corporate Asset Investment Fund (CAIF) which invests in assets to achieve both economic development and investment returns. The CAIF operates through the Corporate Asset Investment Fund Strategy with a view to:

- Ensuring that there is a diverse range of properties available to meet the aims of economic development.
- Increasing the size of the portfolio.
- Improving the quality of land and property available.
- Ensuring the sustainability of the County Farms and Industrial portfolio by replacing land sold to generate capital receipts, and
- Providing a revenue income stream that can be used to support ongoing service delivery.

The fund has a notional target of achieving a holding of £200m. It is expected that this will be achieved within the next 5 years. Appraisal includes external due diligence performed before each purchase.

For highways and associated infrastructure needs, the Council's key transport policy document is the Local Transport Plan. This provides the long term strategy within which the Council manages and maintains its network. In light of the continuing financial challenge the Council's priority is only to add to the highway network where this will help to enable new housing and jobs. Furthermore, additions will normally be considered only in circumstances where specific external funding can be secured to achieve this.

Further improvements to the highway network will require continued pursuit of external resources such as Government grants and developer funding. Government grants include bids to funds including Growth Fund (through the LLEP), the Growth and Housing Fund, the National Productivity Investment Fund, Local Authorities Majors Fund and the Housing Investment Fund. In order to maximise the impact of funding that can be secured for improvements, the County Council is doing more to define the roles of the various elements of the road network so that it is able to target investment where it will be of most benefit, particularly in terms of supporting economic prosperity and growth.

Bids for funding from the discretionary programme require the completion of a capital appraisal form for each project. The forms collate detailed information on the proposed project including justification against strategic outcomes, service objectives, statutory requirements and/or asset management planning, timelines, detailed costings including revenue consequences of the capital investment, and risks to delivery. All bids for land and building projects are also supplemented by a Strategic Property scoping and assessment form. Bids are then prioritised and assessed against the discretionary funding available. The revenue costs and savings associated with approved capital projects are included in the revenue budget.

Where schemes have not yet been fully developed these are included as future developments in the capital programme. As schemes are developed they are assessed against the available resources and included in the capital programme as appropriate.

<u>Financial Management of Delivery</u>

The key risks to the delivery of the capital programme are overspending against the approved budget for a scheme, project/programme slippage where the project is not delivered in accordance within the planned timescales thereby delaying approval of the expected benefits, and delays in or non-receipt of external contributions towards the cost of the scheme.

To ensure that capital spending and the delivery of this strategy is effectively managed:

- Programmes being reviewed in light of the most up to date information around funding available and latest priorities.
- All schemes within the programme being monitored regularly, usually monthly.
- Financial progress being reported on a regular basis throughout the year and at year end to the Cabinet and Scrutiny Commission to update them on progress and any significant variations in costs.
- Projects part or wholly funded by external contributions being separately monitored to ensure compliance with any funding conditions applicable.
- All projects are assigned a project manager appropriate to the scale of the scheme.
- The procurement of projects within the capital programme following the Councils approved contract procedure rules and where applicable the Public Contract's Regulations 2015.

Appendix H

Risk Management

Policy Statement and Strategy

Risk Management Policy Statement

1. Local government's purpose and relationships with its local stakeholders and partners, the UK Government and Europe, continue to be redefined. Continued austerity, future economic uncertainty, escalating costs of social care and pension liabilities, increased expectations alongside concerns about councils having the capacity and capability to respond, are creating a lasting change.

2. Local Authorities have no alternative but to understand and manage risk. Those Authorities which stimulate effective and efficient risk management and strive to create an environment of 'no surprises' should be in a stronger position to deliver objectives, sustain services, achieve better value for money, and promote good corporate governance both within the organisation itself and in tandem with stakeholders and partners. Successful risk management should balance a level of control to provide sufficient protection from harm, without stifling development and recognising and grasping opportunity, where calculated risk is accepted and even applauded. New layers of complexity and risk arise, but they open up new opportunities for innovation, collaboration, transformation, community engagement, and new approaches to service delivery. These include prevention and integration strategies, collaborating with communities and other partners, embracing digital technology, and investment in infrastructure to remain sustainable. Authorities are venturing more into commercial property and other income generating activities for the future prosperity of communities. Effective risk management is essential to assist decisions on whether the benefits of taking actions outweigh the risks.

3. Leicestershire County Council (the Council) remains one of the best performing councils in the country despite its very low funding position. The Council recently approved a revised Strategic Plan 2018-2022 (the Plan) which outlines the long-term vision for the organisation and the people and place of Leicestershire. The Plan is underpinned by other key policies and strategies including the Council's Medium Term Financial Strategy and Transformation Programme. The Plan recognises that the future remains uncertain, but brings with it challenges and exciting opportunities for all. The outcomes are aspirational and seek to outline the end results wanted for the people of Leicestershire.

4. Whilst ensuring that the most vulnerable are protected, in order to continue its own fundamental transformation, the Council will embrace an attitude to risk allowing a culture of creativity and innovation, in which in all areas of the business, risks are identified, understood and proactively managed, rather than avoided. Risk management is at the heart of the Council and its key partners. The Council will not shy away from risk but instead seek to proactively manage it. This will allow it to not only meet the needs of the community today, but also be prepared for future challenges.

5. This Risk Management Policy Statement and supporting documentation form an integrated framework that supports the Council in the effective management of its risk. In implementing the framework, the Council provides assurance to its stakeholders, partners and customers that a consistent identification, assessment, evaluation and management of risks and opportunities of those current, developing and as yet unplanned Council activities, plays a key role in the delivery and achievement of the vision contained in its Plan and all of its other plans, strategies and programmes.

6. This Policy has the full support of Members and Chief Officers, who are committed to embedding risk management throughout the Council and is reliant upon the co-operation and commitment of all management and employees to ensure that resources are utilised effectively.

John Sinnott, Chief Executive
11 January 2018

Leicestershire County Council Risk Management Strategy

1.0 Defining Risk and Risk Management

Under ISO31000 'Risk management – Principles and guidelines'

Risk is defined as:

'The effect of uncertainty on objectives, where effect is any deviation from the expected – positive or negative'

Risk Management is defined as:

Coordinated activities to direct and control an organisation with regards to risk

The Council has adopted the following definitions of risk and risk management:

Risk is "an uncertain event (or a set of events) that should it (they) occur, will have a (positive or negative) effect on the achievement of the Council's objectives and/or reputation.

A risk is measured in terms of a combination of the likelihood of a perceived threat or an opportunity occurring and the magnitude of its impact on objectives.

Risk management is the "systematic application of principles, approach and processes to the identification, assessment and monitoring of risks." By managing our risk process effectively we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

This Risk Management Strategy outlines how Leicestershire County Council (the Council) will use risk management to successfully deliver corporate, departmental and service, objectives and priorities.

2.0 Why undertake risk management?

Statutory requirements

Part 2 of the Accounts and Audit Regulations 2015 (Internal Control) places explicit requirements on the Council around risk, that is: -

- Paragraph 3 (c) - the Council must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk;
- Paragraph 4.4 (a - iii) – the Chief Financial Officer must determine, on behalf of the Council financial control systems which must include measures to ensure that risk is appropriately managed;
- Paragraph 5 (1) the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management processes.

Constitutional requirements

The Council's Corporate Governance Committee has delegated functions[1] regarding risk management namely: -

- the promotion and maintenance within the Authority of high standards in relation to the operation of the Council's Local Code of Corporate Governance[2] and in particular to ensure that an adequate risk management framework and associated control environment is in place;
- to monitor the arrangements for the identification, monitoring and management of strategic and operational risk within the Council.

[1] These align to the oversight of risk management arrangements as being a core function of a local government Audit Committee as referred to in CIPFA's Guidance on Audit Committees 2013. Revised guidance is due in early 2018 and this will lead to a review of the Corporate Governance Committee's functions regarding risk management.

[2] The Council's Local Code of Corporate Governance (2017) complies with the 'Delivering Good Governance in Local Government; Framework' (2016), specifically Principle F which advises that good governance is promoted when there is management of risks and performance through robust internal control and strong public financial management.

3.0 Benefits of risk management

Risk management is a tool that forms part of the governance system of the organisation. When applied appropriately it can bring multiple benefits as demonstrated in the table below: -

Improved efficiency of operations	Better delivery of intended outcomes	Maximises Opportunities
Protected reputation of the Council	Supports the achievement of the Council's objectives	Reduced losses arising from workplace accidents and illnesses
Better mitigation of key risks	Demonstrates good governance	Enhanced political and community support
Protection of budgets from unexpected financial losses or increased ability to secure funding, fraud and corruption	Increased effectiveness of business change programmes and projects	Protection of Council Assets
Fewer unwelcome surprises	Improved management information to inform decision making	Improved planning

4.0 Risk Management Strategy Objectives

The objectives of the Council's Risk Management Strategy are to:

- Integrate risk management fully into the culture of the Council and into its corporate and service planning processes;
- Improve the framework for identifying, assessing, controlling, reviewing and reporting and communicating risks across the Council;
- Improve the communication of the Council's approach to risk management;
- Improve the coordination of risk management activity across the Council;
- Ensure that the Corporate Management Team (CMT), Corporate Governance Committee and external stakeholders can obtain necessary assurance that the Council is mitigating the risks of not achieving key priorities and thus complying with corporate governance practice;
- Manage risk in accordance with best practice and ensure compliance with statutory requirements;
- Maintain clear roles, responsibility and reporting lines for risk management within the Council;
- Measure and partake in regular comparison and benchmarking activity.

5.0 Risk Appetite and Risk Tolerance

The Council recognises that only by taking risks can it achieve its aims and deliver beneficial outcomes to its stakeholders.

The Institute of Risk Management (IRM) defines risk appetite as "the amount of risk an organisation is willing to seek or accept in the pursuit of its long term objectives" and is about looking at both the propensity to take risk; and the propensity to exercise control. Risk tolerance is defined as the boundaries of risk taking outside of which the organisation is not prepared to venture in the pursuit of its long term objectives.

Risk appetite and risk tolerance help an organisation determine what high, medium and low risk is. In deciding this, the organisation can:

- More effectively prioritise risks for mitigation
- Better allocate resources
- Demonstrate consistent and more robust decision making
- Clarify the thresholds above which risks need to be escalated in order that they are brought to the attention of senior management and/or Members.

Corporate Management Team has collectively agreed that the Council exists in a high risk environment and that this is likely to continue. In reality this will mean continuing to develop an understanding of acceptable risk levels (high, medium or low), depending on their impact and likelihood. Defining levels allows risks to be prioritised and appropriate actions assigned so that the management of identified risks will be proportionate to the decision being made, or the size of the impact on service delivery.

The Council will take risks in a controlled manner, reducing exposure to a level deemed acceptable. In order to take advantage of opportunities, the Council will support innovation and the imaginative use of resources. However, the Council will seek to control all highly probable risks which have the potential to:

- Cause significant harm to service users, staff and the public;
- Severely compromise the Council's reputation;

- Significantly impact on finances;
- Jeopardise the Council's ability to undertake it's core purpose;
- Threaten the Council's compliance with law and regulation
- Create opportunity for fraud and corruption

Taking the above into consideration, the Council's current **overall** risk appetite is defined as **'Open'**. This means that the Council is prepared to consider all delivery options and select those with the highest probability of productive outcomes even where there are elevated levels of associated risk. However, the Council's risk appetite is determined by individual circumstances. There will be areas where greater risk will be taken in supporting innovation in service delivery. These occasions will be offset by times when it maintains a lower than cautious appetite for example, in matters of compliance with law and public confidence in the Council. Risk appetite can therefore be varied for specific risks, provided this is approved by appropriate officers and/or Members.

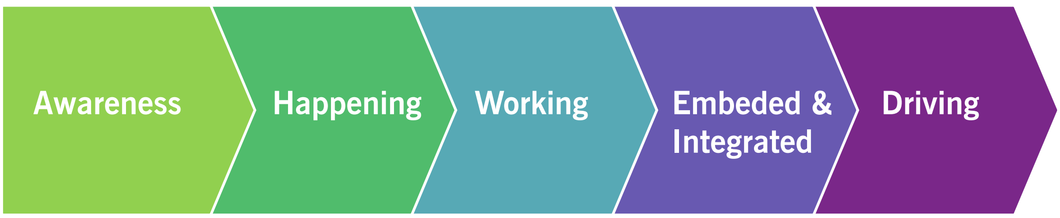
The Council will review risk appetite and tolerance annually to ensure risks are being managed adequately. Please refer to Annexes 1 and 2 for further details.

6.0 Risk Management Maturity

All organisations are on a risk management journey with differing levels of risk management maturity. Risk management maturity refers to how well established risk management is as a discipline across the organisation.

We continue to review our current risk management capability to help us direct our resources in the areas that need improvement and further development, ensuring the risk management arrangements remain fit for purpose in this changing environment.

The Association of Local Authority Risk Managers (ALARM) has developed and published a National Performance Model for Risk Management in Public Services to illustrate what good risk management looks like in a public service organisation. There are 5 levels.



A detailed maturity review[1] was last undertaken and reported in January 2015. This scored the Council's level of risk maturity as between levels 3 ("Working") and 4 ("Embedded and Working"). A number of recommendations were made to further develop risk management processes and an action plan was produced to address the recommendations.

During 2016 and 2017, significant progress was made to implement the recommendations. Nevertheless, the maturity level remained at Level 3/4 – Between Working and Embedded & Working and further development is necessary in some of the core areas. See Action Plan in Annex 4.

The Council also networks and shares information with other similar organisations e.g. East Midland Counties Risk Management Group (7 County Councils) which enables the Council to benchmark its position.

Although the Council planned to evaluate its risk maturity against ALARM guidance on a three-yearly frequency (maximum[2]) with the next review planned for December 2017 this will be undertaken in 2018.

1. Undertaken using the ALARM Performance Model by a Senior Internal Auditor not routinely involved in the Council's risk management framework, reporting to the Finance Manager within Strategic Finance to directly avoid any conflict of interests.

2. CMT will have the opportunity at each annual policy review to determine if, because of future events, the tri-annual risk maturity assessment should be more frequent.

7.0 The Risk Management Approach and Process

Risk management is a continual process involving the identification and assessment of risks, prioritisation of them and the implementation of actions to mitigate both the likelihood of them occurring and the impact if they did.The Council's approach to risk management will be proportionate to the decision being made or the impact of the risk, to enable the Council to manage risks in a consistent manner, at all levels.

Explanations of the stages within the risk management process: -

Identify risk	Clarify Objective(s) and Priorities from the Council's Departmental Service Planning process and identify risks (or opportunities) which might prevent, delay (or alternatively escalate) achievement of the Council's objectives and determine what are the consequences if this occurs
Assess risk	Assess the inherent risk (Impact & Likelihood) using the Council's risk assessment criteria prior to the application of any existing/known controls i.e. evaluate the "Original risk score"
	Decide and agree the course of action – treat, tolerate, transfer, terminate or take the opportunity
Manage risk	Identification and assessment of the controls/actions already in place to mitigate each risk to arrive at the "Current Risk score". If Current Risk score is still high even with controls: • Is the score correct? • Determine the best way to manage the risks e.g. terminate, treat, transfer, tolerate or take the opportunity • Determine whether the cost of implementing further mitigating control is merited when compared to the risk reduction benefits achieved. • Development of further SMART actions and assign target dates and responsible officers to achieve the desired "Target Risk score".
Monitor, Review and Report	Use the Risk Management Matrix and Risk Tolerance levels to determine the frequency of review, monitoring, risk escalation and reporting.

Annex 2 provides details of the risk measurement criteria, risk map, risk escalation and reporting arrangements.

8.0 Application - Service, Department, Corporate & Specialist Risks

It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant stakeholders that adequate measures have been taken to manage risks. To support this, risk management has been integrated into the planning process. By using the risk methodology, key risks facing the Council or a particular service area will be identified and managed. The escalation of risks ensures that Senior Management has a clearer picture on risks facing service areas. This helps in overall decision making processes by allowing the allocation of resources or review of areas of concern.

There is an established framework in which consistent application of the process should ensure the flow of appropriate risk information across the Council as follows:

Service and Department Risks:

Services will undertake a risk identification exercise at least annually, as part of service planning. This will include:

- Risks to achieving objectives identified and assessed by managers at service/division area level; this should also include business as usual risks;
- Assessment will identify the risks to be managed within the service/division area and those that may need to be escalated to the next level i.e. Department Risk Register;
- Development of the Department Risk Register including:
  - Department specific risks linked to objectives and priorities
  - Business as usual risks (key system/activities)
  - Risks that may have been escalated up from service areas
  - Relevant risks from programmes, projects and partnerships
  - Risks from specialist areas e.g. Health & Safety, Insurance and Business Continuity
  - Any department horizon scanning of emerging risks
- In line with the framework, (risk matrix and risk tolerance levels), key risks should be escalated and reported to Departmental Management Team (DMT) regularly, setting clear accountability for managing risks and undertaking further actions/additional controls within the defined timescales;
- Review of department registers to identify continuing 'high scoring' risks for escalation to the Corporate Risk Register (CRR) either individually or consolidated with other risks;
- This exercise will provide senior managers with a central record of departmental risks, with a clear audit trail of where the risk originates from and also provide assurance that risks are being managed.

Corporate (and high ranking Departmental) risks - Corporate Risk Register

This process will provide Directors and Members with a central record of corporate risks, to ensure consideration is given to high ranking, strategic cross cutting (or Departmental) risks that could impact the financial, political or reputational arena process followed:

- Each quarter, Departmental Risk Champions and management teams will review Department Registers to identify and consider risks for escalation to the CRR, either individually or consolidated from Departmental Risk Registers;
- Internal Audit Service will confirm that the quarterly reviews have been consistently undertaken, and co-ordinate the production and reporting of the CRR, through to Corporate Management Team (CMT) and Corporate Governance Committee.
- Whilst most risks are expected to come through this route it might not capture all of the strategic risks facing the Council. Therefore horizon scanning, information from relevant publications and minutes from key meetings will also provide a basis for including additional risks on the CRR.

Specialist areas of risk

Project, Programme and Partnership Risks

Risks which could impact on achieving the objectives of projects, programmes or partnerships will be managed through the appropriate Project, Programme or Partnership Board and associated governance structures. However, where Project, Programme or Partnership risks impact upon strategic or departmental objectives then consideration should be given as to whether those risks should be identified, assessed and escalated to the appropriate Departmental or CRR. In the case of Projects and Programmes, the decision to escalate to a departmental or corporate level, is ultimately the responsibility of the relevant Senior Responsible Officer (SRO) or Sponsor, supported by the appropriate Project, Programme or Partnership Board.

When a project or programme is closed, the relevant closure report should identify any risks (or issues) that need to transfer to Business As Usual (BAU) ensuring specific and appropriate ownership is identified and clearly articulated. Where appropriate these risks may need to be escalated to the relevant Departmental or CRR.

All projects report regularly to Project Boards on project level risks and issues, with any programme level risks and issues escalated and reported on a regular basis to the Transformation Delivery Board.

Health, Safety & Wellbeing Risks

The Health, Safety & Wellbeing Service provides advice and guidance to managers and staff on all aspects of Health, Safety and Wellbeing.

In addition to providing advice and support, the Health, Safety & Wellbeing Service also help to monitor the performance of the organisation through audits and inspections, set targets for continual improvement, provide operational training and awareness for staff and also respond to accidents / incidents in order to ensure they are adequately investigated and the likelihood of further harm is reduced.

Regular reports are provided to the Departmental Management Teams, Chief Executive and the relevant Scrutiny Board. A separate risk assessment process is in place.

Resilience and Business Continuity

Business Continuity Management (BCM) is complementary to a risk management framework that sets out to understand the risks to the council, and the consequences of those risks.

By focusing on the impact of disruption, BCM identifies the services which the council must deliver, and can identify what is required for the council to continue to meet its obligations. Through BCM, the council can recognise what needs to be done before an incident occurs to protect its people, premises, technology, information, supply chain, stakeholders, reputation and importantly the services that the council delivers to the people of Leicestershire. With that recognition, the Council can then take a realistic view on the responses that are likely to be needed as and when a disruption occurs, so that it can be confident that it will manage any consequences without unacceptable delay in delivering its services.

The Resilience and Business Continuity Team co-ordinates the preparation of business continuity and response plans both at a corporate and departmental level. Such plans aim to minimise the likelihood and/or impact of a business interruption by identifying and prioritising critical functions as well as the resource requirements, roles and responsibility requirements in response to allow appropriate planning to take place.

The Resilience and Business Continuity Team presents an annual report to Corporate Governance Committee.

Insurance

Insurance acts as a risk transfer mechanism which reduces the financial risk to the Council. The Council is largely self-insured but transfers the larger risks to an insurance company by contributing a premium. In the event of a financial loss, the Council is entitled to indemnity, subject to the terms and conditions that are in place.

The function provides a comprehensive and professional insurance service including arranging insurance provisions and other related insurance activities as well as managing new and outstanding claims.

Insurance activity will be regularly reported to Corporate Governance Committee.

Property and Occupants Risk Management

Following the tragic events of both the Grenfell Tower fire and high profile terrorism attacks during 2017, a group was established, initially to review fire safety risk across the Council's owned and procured properties, but has been widened to incorporate the Council's identification and management of terrorism risk. The group contains a wide breadth of representatives from the Council's services and has regular inputs from the Council's insurers, risk management partners and brokers and links to the emergency 'blue light' services.

The Group will report to the Director of Corporate Resources (quarterly), CMT as and when required if a significant matter arises but also annually to note work undertaken, findings and progress and agree the next year's plan of work and annually to Corporate Governance Committee.

Counter Fraud

The Internal Audit Service undertakes a biennial Fraud Risk Assessment (FRA). This process, along with other intelligence received, for example the results of CIPFA's annual Fraud & Corruption Tracker, seeks to acknowledge the risk of fraud throughout the Council and is an integral step towards how countering the risk of fraud is developed and arranged. Scoring (impact and likelihood) is derived through discussions with individual service leads to give them the opportunity to consider whether scores remain reasonable or whether there have been any changes during the previous year that may lead to necessity to amend scores, e.g. national picture, known frauds, additional controls introduced, and increased or decreased metrics/values.

Recognising fraud in this manner ensures there is a comprehensive understanding and knowledge about where potential fraud and bribery /corruption is more likely to occur and the scale of potential losses. This in turn will direct the Council's overall Anti-Fraud and Corruption Strategy and further allow the Council to direct counter-fraud resources accordingly. Consequently, this influences the internal audit annual planning process. Furthermore, it reiterates responsibility to service managers for managing fraud risk in their service areas.

Regular updates are provided to the Corporate Governance Committee on counter fraud and related initiatives.

Information & Technology (I&T) and Data Protection Risks

A safe and secure I&T infrastructure underpin the working of the Council, both technically and in terms of data protection. To support this, I&T Service holds and maintains its own divisional risk register which, where appropriate will feed through to the Departmental and Corporate Registers. Regarding data protection, the Policy and Assurance Team develop, maintain and monitor compliance with a wide range of policies designed to protect information and data

Support

The above process will be supported by the following:

- Ownership of risks (at appropriate levels) assigned to Directors, managers and partners, with clear roles, responsibilities and reporting lines within the Council;
- Incorporating risk management into corporate, service and business planning and strategic and partnership working;
- Use of the Risk Management Toolkit throughout the Council;
- Providing relevant training on risk management to officers and Members of the Council that supports the development of wider competencies;
- Learning from best practice and continual improvement;
- Seeking best practice through inter-authority groups and other professional bodes e.g. the Association of Local Authority Risk Managers (ALARM).

9.0 Risk Management Roles and Responsibilities - structure

The following structure is unique to the Council and is influenced by its risk management maturity, resource capacities, skills sets, internal operations and existing operating structures. The Council's risk management framework aligns to existing structures and reporting lines.

Full details of risk management roles and responsibilities can be found in Annex 3.

Leadership

- Cabinet
- Lead Members
- CMT

Cabinet:
- Understands the key risks facing the Authority, determines the level of risk and ensures risk management (RM) is delivered to mitigate risks

Lead Members:
- Have responsibility for understanding the risks facing their areas of accountability and how these risks are being managed.

CMT:
- Manages the level of risk the Authority is prepared to accept.
- Establishes a control environment in which risk can be effectively identified, assessed and managed
- Ensures progress against mitigating actions / controls for risks on the corporate risk register.

Corporate

- Corporate Governance Committee (CGC)
- Corporate Risk Management Group (CRMG)

CGC:
- Ensures that an adequate risk management framework (RMF) and associated control environment is always in place
- Monitor's the arrangements for the identification and management of strategic and operational risks.

CRMG:
- Provides assurance that the RMF and its processes are effective.
- Helps to deliver a consistent approach

Departmental

- DMT
- Service Managers
- Programme / Project / Partnership Boards
- Risk Champions

DMT:
- Ensure the RMF is implemented in line with the Councils Risk Management Strategy, and guidance
- Takes full ownership of risks within their departmental risk register. Agree risk mitigation actions, assign defined timescales and responsibilities – including any departmental risks that are also in the Corporate Risk Register (CRR)

Service Managers:
- Identify and take ownership of all risks that fall within their remit
- Provide assurance to DMT's that these risks are being managed effectively.

Programme / Partnerships Specialist Areas:
- Providing assurance that risks and their implications are managed effectively and escalated if appropriate.

Risk Champions:
- Ensure consistent application of the RMF within their dept. Provide support and challenge to DMT and Service Mgrs.

Staff:
- Responsibility for gaining an understanding of risks facing their area of accountability and how they are being managed.
- Report promptly perceived failures in existing control measures that could increase risk

Assurance Services

Risk Management function*
- Review and challenge risk actions
- Provide assurance that the flow of risk information throughout the Authority is working effectively.
- Collates and co-ordinates, RM updates for reporting to CMT and CGG
- Arranges the review of RM maturity

Internal Audit function:
- Review and challenge the effectiveness of the RMF including controls in order to form an independent opinion.

Governance function:
- Review and provide assurance within the Annual Governance Statement that the Authority's Risk Management Policy, Strategy, Guidance and Toolkit are being implemented at all levels

* The Head of Assurance Services (HAS) is responsible for the administration and development of, and reporting on, the Council's RMF. For the purposes of the Public Sector Internal Audit Standards (PSIAS), the HAS fulfils the required role of the Council's Head of Internal Audit Service. The PSIAS require that this 'impairment' to independence and objectivity is recorded in the Internal Audit Charter (approved by CGC in November 2016) and (to avoid any conflict of interests) any audits of the RMF are overseen from a manager outside of the Service.

10 Control Environment

This strategy outlines the roles and responsibilities, and governance framework for risk management within Council, demonstrating the arrangements for accountability and responsibility for risk management throughout the organisation. With particular focus on internal control, the Corporate Management Team and the Corporate Governance Committee are the organisation's oversight for risk management, providing check and challenge to the risk management strategy, process and delivery.

Developing, maintaining and reporting conformance with the Council's risk management framework is undertaken by Assurance Services to ensure the principles of good governance are adopted. Auditing of the risk management framework and risks is undertaken by the Council's Internal Audit Service in accordance with their audit plan and recommendations arising are fed back through the Departmental Management Teams to ensure continual improvement.

The Institute of Internal Auditors issued a report titled "the three lines of defence in effective risk management and control". This provides a model for clarifying response at both an operational and strategic level. Overall, it provides scrutiny and challenge to ensure assurance is achieved.

First Line Managers

- Risk Management
- Policies
- Performance Data
- Management Information
- Internal Controls
- Staff appraisal

Second Line Control/ Compliance

- Section 151
- Risk Management
- Health & Safety
- Information Governance
- Business Continuity
- Insurance
- Compliance
- Governance Framework

Third Line Assurance

- Internal Audit
- External Audit

First Line of Defence: Operational managers own and manage risks. They also are responsible for implementing corrective actions to address process and control deficiencies. There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight control breakdown, inadequate processes, and unexpected events.

Second Line of Defence: Management establishes various compliance functions to help build and/or monitor the first line-of-defence controls. These functions are established to ensure the first line of defence is properly designed, in place, and operating as intended.

Third Line of Defence: Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls to Management and ultimately Corporate Governance Committee.

11 Continuous Improvement

Regulators and risk management professionals indicate that it is good practice to continuously improve risk management methodologies in line with recommendations from regular assessments and adapt to changing economic conditions.

To this effect, the Council's Risk Management Policy, Strategy, Guidance and related documents will be reviewed at the specified frequency or after the release of new legislation or government guidance that affects risk governance, internal controls, financial management or the regulatory regime for public service organisations. They will also be reviewed following the results of any audit /review by Internal Audit Service or an external third party.

Risk Appetite

STAKEHOLDERS

BOARD

RISK APPETITE STATEMENT

What levels and types of risk do our stakeholders expect us to accept (and not acept) in pursuance of our goals?

EITHER

Generic (Corporate) Risk Appetite Staement

OR

Individual Risk Appetite Statements are applied to each Objective

GENERIC (CORPORATE) RISK APPETITE STATEMENT TYPES

AVOID	No appetite. Not prepared to accept any risks.	Examples: Health &Safety, Business Critical systems, Customers, Safeguarding, Data Security,
AVERSE	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.	
CAUTIOUS	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.	Examples: Delivery partners, Non- critical systems,
MODERATE	Tending always towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes.	
OPEN	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.	Examples: Leadership; Devolution; Collaboration; Alternative delivery models; Integration; Transformation; Digital; Commercial trading, Property investment, Suppliers; People etc.
HUNGRY	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.	

Risk Impact Measurement Criteria

Scale	Description	Departmental Service Plan	Internal Operations	People	Reputation	Financial per annum / per loss
1	Negligible	Little impact to objectives in service plan	Limited disruption to operations and service quality satisfactory	Minor injuries	Public concern restricted to local complaints	<£50k
2	Minor	Minor impact to service as objectives in service plan are not met	Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality.	Minor Injury to those in the Council's care	Minor adverse local / public / media attention and complaints	£50k-£250k Minimal effect on budget/cost
3	Moderate	Considerable fall in service as objectives in service plan are not met	Sustained moderate level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory	Potential for minor physical injuries / Stressful experience	Adverse local media public attention	£250k - £500k Small increase on budget/cost: Handled within the team/service
4	Major	Major impact to services as objectives in service plan are not met.	Serious disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services. Significant disruption of core activities. Key targets missed.	Exposure to dangerous conditions creating potential for serious physical or mental harm	Serious negative regional criticism, with some national coverage	£500-£750k. Significant increase in budget/ cost. Service budgets exceeded
5	Very High/ Critical	Significant fall/failure in service as objectives in service plan are not met	Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services	Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple serious injuries	Prolonged regional and national condemnation, with serious damage to the reputation of the organisation i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers	>£750k Large increase on budget/cost. Impact on whole council

Risk Likelihood Measurement Criteria

Rating Scale	Likelihood	Example of Loss/Event Frequency	Probability %
1	Very rare/unlikely	EXCEPTIONAL event. This will probably never happen/ recur.	<20%
2	Unlikely	Event NOT EXPECTED. Do not expect it to happen/recur, but it is possible it may do so.	20-40%
3	Possible	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.	40-60%
4	Probable /Likely	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue.	60-80%
5	Almost Certain	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.	>80%

Risk Scoring Matrix

IMPACT					
5 Very High/Critical	5	10	15	20	25
4 Major	4	8	12	16	20
3 Moderate	3	6	9	12	15
2 Minor	2	4	6	8	10
1 Negligible	1	2	3	4	5
	1	2	3	4	5
	Very Rare/ Unlikely	Unlikely	Possible	Probable/ Likely	Almost certain

Likelihood*

*(Likelihood of risk occurring over lifetime of objective (i.e. 12 months).

Risk Tolerance/Reporting Criteria

Tolerance Levels	**Original / Current Risk Score**	**Expected Actions by Risk and Action Owners**	
White	1 to 2	Controls	No action required
		Monitoring =	No action required
		Escalation =	No action required
Low	3 to 6	Accept Risk or Maintain Controls	Existing controls may be sufficient. No additional controls are required unless they can be implemented at very low cost (in terms of time, money, and effort). Actions to further reduce these risks are assigned low priority.
		Monitoring =	Review six monthly /Reporting to Service Area
		Escalation =	Service Area manager
Medium	8 to 12	Maintain Controls or Further Controls to reduce rating	Controls required but consider in light of 4 Ts- Consideration should be as to whether the risks can be lowered, where applicable, to a tolerable level, but the costs of additional risk reduction measures should be taken into account (time, money and effort).
		Monitoring =	Continued Proactive Monitoring/Review at quarterly / Reporting to DMT
		Escalation =	Business Partners / Relevant AD / DMT
High	15 to 25	Further Action/ Controls to reduce rating	Controls and further actions necessary. Substantial efforts should be made to reduce the risk. Arrangements should be made to ensure that existing controls are maintained. The risk reduction measures should be implemented within a defined time period.
		Monitoring =	Continued Proactive Quarterly Monitoring / Report to CGC
		Escalation =	Chief Officer / CMT / Lead Member

A Departmental risk with a current risk score of 15 or more **must** be escalated into CMT's domain (either as an addition to the CRR, or as an emerging risk for further debate). Directors should not retain any risks with a current risk score of 15 or more in their Department's register without debate and approval from CMT.

Risk Management Roles & Responsibilities – Detail

Leadership:

Cabinet

Understands the key risks facing the Council, determines the level of risk and ensures risk management is delivered to mitigate risks by:

- Ensuring that a risk management framework has been established and embedded;
- Approving the Council's Risk Management Policy and Strategy as part of the Medium Term Financial Strategy;
- Ensuring relevant risk considerations (if relevant) are included within reports which may have significant strategic policy or operational implications.

Lead Members

- Responsibility for gaining an understanding of the risks facing their area of accountability (in conjunction with the relevant Director) and how these risks are being managed.

Corporate Management Team (CMT)

Leading and ensuring effective management, monitoring and review of risk management across the Council by:

- Establishing a control environment and culture in which risk can be effectively assessed and managed;
- Directing the level of risk the Council is prepared to accept (appetite and tolerance levels);
- Encouraging the promotion of risk awareness, rather than risk avoidance;
- Reviewing and, approving the Council's corporate and strategic risks on the CRR quarterly and their importance against the Council's vision and priorities;
- Assisting with the identification of significant new and emerging risks as they become known - for consideration and addition to the CRR;
- Following the review and approval of the CRR, CMT to determine whether a potential reputation or consultation matter needs to be forwarded to the Communication Unit;
- Providing challenge to the risk scoring mechanism to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control) ;
- Ensuring that risk assessments (if appropriate) are detailed in Cabinet or Scrutiny reports upon which decisions are based;
- Reviewing annually the Council's Risk Management Policy and Strategy.

Corporate:

Corporate Governance Committee (CGC)

Provides assurance for the Council that risk management is undertaken and effective by:

- Reviewing the effectiveness of the risk management and internal control framework;
- Reviewing the Council's Risk Management Strategy and how it is being implemented;
- Receiving regular progress reports on the CRR and other risk management related initiatives;
- Reviewing, scrutinising and challenging the performance of the Council's risk management framework; including reviewing progress against planned actions from the previous quarter;
- Receiving presentations on specific areas of risk;
- Receiving reports from Internal and External Audit to determine the extent to which they indicate weaknesses in control, risk management and governance arrangements.

Corporate Risk Management Group (via Departmental Risk Champion)

Provides assurance that the risk management framework and its processes are working as intended and are effective by:

- Acting as the main contact for their department and its management on risk matters (including specialist risks (H&S, Insurance etc.);
- Representing their department at the Corporate Risk Management Group;
- Encouraging the promotion of risk awareness, rather than risk avoidance;
- Assisting in the implementation of any revisions to the risk management framework and promoting use of the Risk Management Toolkit;
- Providing support and training on risk management to Directors, Heads of Service and other managers within their service/department;
- Providing support to the other departments' Risk Champions;
- Maintaining on behalf of the service Directors and Heads, a departmental risk register that complies with corporate guidelines;
- Providing regular risk updates to DMT's as per the agreed reporting criteria and risk timetable;
- Providing challenge to the risk scoring mechanism to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control);
- Ensuring that corporate risk information and requirements are communicated to the Department;
- Assessing the relevance of corporate, other departmental service, programme, project and partnership risks and their impact on their department;
- Reviewing cross cutting risk areas where risks of one department impacts on the risks of another;
- Providing overview and scrutiny to the results of the Fraud Risk Assessment process, in relation to departmental risks;
- Providing regular updates to the Internal Audit Service for corporate risks to enable reporting to the CMT and Corporate Governance Committee;

Departmental:

Departmental Management Teams (DMT)

Ensuring that risk management is implemented in line with the Council's Risk Management Strategy by:

- Appointing a Risk Champion /Representative for the department and authorising him/her to progress effective risk management that adheres to corporate guidelines, across their services;
- Ensuring that risk management is integrated within the annual service planning process;
- Taking full ownership of risks within their departmental risk register and agreeing risk mitigation actions, with defined timescales and responsibilities – including those departmental risks that are also in the CRR;
- Reviewing and challenging risk registers for their Service Areas on a quarterly basis if appropriate;
- Adhering to the corporate risk reporting timetable so that DMT meetings and risk monitoring tasks are aligned;
- Ensuring that the CRR accurately reflects only those key strategic risks facing the Council. The DMT scrutiny process should encompass a review of all departmentally identified corporate risks (new and those already identified), to critically evaluate the following:
  - Whether the risk is an ongoing corporate risk
  - Are all mitigating actions identified, they are SMART (i.e. Current Controls in place) and working adequately or are additional actions necessary.
  - The Current Risk Score (Impact and Likelihood) is accurate and is not 'over-scored' in terms of likelihood particularly if a range of current controls have been identified as embedded and working adequately
  - Only consider any further actions/ additional controls after determining whether any cost of implementing further mitigating control is merited when compared to the risk reduction benefits achieved. If required, further actions should be SMART and record 'expected timeframe/due date' which should improve the robustness of the Target Risk impact and likelihood scores
- Receiving reports on risk management activity and review key risks regularly;
- Undertaking regular departmental horizon scanning for new or emerging risks, ensuring communication of these through appropriate channels and incorporation within the Departmental Risk Register if appropriate;
- Suggesting recommendations for the removal of current corporate risks that are considered as lower levels of risk;
- Taking ownership of identifying and managing project, partnership and business as usual risks effectively;
- Ensuring that risk management considerations are included in all Cabinet, Scrutiny and Regulatory bodies reports in respect of strategic policy decisions;
- Providing assurance on the effectiveness of risk management within their department as part of the Annual Governance Statement process;
- Following the review and approval of the Departmental Risk Register, DMTs to determine whether a potential reputation or consultation matter needs to be forwarded to Communication Unit.

Service Managers

Providing assurance to DMT's that risks within their service are being managed effectively by:

- Ensuring that risk management within their area of responsibility is implemented in line with the Council's Risk Management Strategy (i.e. identify, assess, manage and monitor);
- Managing risks on a day to day basis;
- Adhering to the risk scoring mechanism (original, current and target risk scores) outlined in the Strategy to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control)
- Communicating the results of their service risk assessment to the DMT via their Risk Champion, demonstrating effectiveness of controls in place to mitigate/reduce service risks;
- Managing risks from their areas of responsibility that have been included within the departmental risk register. Where further actions/ additional controls are necessary, ensure they are completed by the planned completion date;
- Identifying new and emerging risks or problems with managing known risks and escalating to the Risk Champion where appropriate;
- Assessing fraud risk within their service areas as part of the Fraud Risk Assessment process;
- Ensuring that they and their staff are aware of corporate requirements, seeking clarification from their Risk Champions when required;
- Identifying risk training needs of staff and informing this to Risk Champions;
- Using the Risk Management Toolkit and guidance.

Programme/Project/Partnerships

Providing assurance that project, programme and partnership risks and their impact are managed and communicated effectively by:

- Ensuring risk management is a regular item on Partnership / Programme/Project Board agendas;
- Reviewing and monitoring risks identified on programme/project/partnerships risks, ensuring that suitable controls are in place and working, or that plans are being drawn up to strengthen existing controls or put in place further controls;
- Identifying new and emerging risks or problems with managing known risks, ensuring communication of these through appropriate channels;
- Escalating appropriate Project, Programme or Partnership risks to the relevant Departmental or Corporate Risk Register where those risks may impact at a Departmental or Corporate level – ultimately the project or programme SRO/Sponsor is accountable for ensuring this happens;
- Ensuring any ongoing risks or issues identified at Project/Programme closure are transferred to the relevant business owner and where appropriate are escalated to Departmental or Corporate Risk Registers.

Risk Champions

- See Corporate section

Staff

- Taking responsibility for gaining an understanding of the risks facing their area of accountability;
- Report promptly perceived failures in existing control measures that could increase risk;
- Take due care to understand and comply with the risk management processes and guidelines of the Council.

Assurance Services:

Risk Management function (in conjunction with the Director of Corporate Resources):

Provide assurance that the flow of risk information throughout the Council is working and effective to produce and maintain the Corporate Risk Register by:

- Leading in the development and implementation of the risk management framework and promoting use of the Risk Management Toolkit;
- Meeting with departments as per the risk management timetable to review and challenge risk registers and emerging risks;
- Identify any potential future internal audit requirements to the Head of Assurance Services;
- Coordinating risk management activity across the Council with the support of Departmental Risk Champions/Representatives;
- Collating the changes to departmental risks and ensure that the Corporate Risk Register is amended to reflect current position;
- Regular horizon scanning (in conjunction with CMT, DMT Risk Champions and Head of Assurance Services) of information from relevant publications and minutes from key meetings to provide a basis for including additional risks on the Corporate Risk Register;
- Reporting progress on the Corporate Risk Register and other risk management related initiatives to the CMT, Corporate Governance Committee and Cabinet as per the risk management timetable;
- Supporting Departmental Risk Champions/Representatives in their risk management role;
- Communicating corporate risk management information and requirements;
- Reviewing the Risk Management Policy and Strategy at least annually to reflect best practice and initiate improvements;
- Arranging for the review of risk management maturity; benchmarking scrutiny and challenge
- Establishing links with external groups and organisations in order to gain knowledge and share best practice on risk management issues;
- Supporting the development and delivery of relevant risk training

Assurance function (Internal Audit Service)

Review and challenge the effectiveness of the risk management framework, providing independent assurance about the quality of controls that managers have in place, by:

- Creating a risk-based audit plan that is aligned wherever possible to the Corporate Risk Register and the Departmental Risk Registers and other drivers, e.g. biennial Fraud Risk Assessment;
- Testing and validating existing controls, with recommendations for improvement on identified control weaknesses;
- Reporting outcomes to Director and Corporate Governance Committee;
- Monitoring changing risk profiles based on audit work undertaken, to adapt future audit work to reflect these changes;
- Conduct relevant audits of the risk management framework and maturity but overseen by a manager independent to the Service.

Action Plan

This Strategy sets out the developments / actions the Council proposes over the short term future to further improve risk management maturity. These developments include the following actions: -

Action	Target Implementation Date	Complete
To review and revise the Council's Risk Management Policy and Strategy and related guidance with endorsement from Corporate Management Team and Corporate Governance Committee.	Ongoing annually	Yes
Assist Update of Departmental Service Planning Guidance 2016/17: Alignment of Risk Registers to the Service Planning Process - 2017/18. To ensure risks recorded link back to departmental and service planning objectives.	Ongoing	Yes
Update and communicate through Manager's Digest, the Council's intranet Risk Management pages to include; Revised Risk Management Policy & Strategy All relevant guidance on methodologies and processes, including the revised Risk Assessment Criteria and Map Risk Management Toolkit containing the revised risk register templates with guidance Who to contact: details of the risk management "network", Links to further information and guidance e.g. ALARM web-site	February/March 2017	Partly Yes No No Yes No Develop in 2018/19
Provision of support to Departmental Risk Champions if necessary with the implementation of the revised Risk Register Template.	Ongoing	Yes Ongoing
Develop and introduce key performance indicator(s) for risk management activity to maintain and improve the maturity rating.	Ongoing	Partly – Developed dashboards on Tableau
Develop a training matrix to identify the levels of training that need to be attained by staff at different levels in the organisation. Explore differing options E.g. Face to face, CIS, external training. Explore the free training offering from the Council's Insurance providers - Gallagher Bassett's risk management consultancy service.	Ongoing	Partly – face to face training and use of Council's Insurers to deliver training
To ensure that risk management awareness is given adequate prominence in the Council's staff induction procedures.	August 2017	No 2018/19
To develop an e-learning module on risk management and to promote its uptake by all relevant officers.	September 2017	No 2018/19
To liaise with Chief Executive's Department on any corporate guidance to ensure risks associated with partnerships are captured, particularly where the Council is the lead accountable body. CIS to be updated accordingly.	September 2017	No 2018/19
Maintain effective horizon scanning process and communication of new/ emerging risks to Risk Champions for assessment and consideration.	Ongoing	Yes
Undertake risk maturity exercise in conjunction with other members of the East Midlands Risk Management Group.	2017/18	Yes
Undertake Risk Maturity Assessment	2018/19	Summer 2018

APPENDIX I

EARMARKED FUNDS POLICY 2018/19

General Fund

The level of the General Fund will reflect the overall financial environment and the key financial risks faced by the County Council. The amount held will be reviewed at least annually. Any funds in excess of the assessed amount will in the first instance be used to fund one off expenditure (capital and revenue including invest to save and pump priming initiatives) and secondly to support recurring revenue expenditure over the medium term, subject to the key consideration of sustainability.

Holding non earmarked funds is essential in enabling the County Council to manage unforeseen financial events without the need to make immediate offsetting savings. This allows better decisions to be made and reduce the impact this could have on users of County Council services.

Based on an assessment of risk, the target level for the General Fund is within the range of 4% to 5% of net expenditure (excluding schools). The forecast balance of £14.8m (4.1%), at 31st March 2018, is within that range. In reviewing the level of the General Fund the Cabinet will take advice from the Director of Corporate Resources.

Earmarked Funds

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

- Insurance fund – to meet the estimated cost of future claims not covered by insurance policies.
- Renewals – to enable services to plan and finance an effective programme of systems, equipment and vehicle replacement. These earmarked funds are a mechanism to smooth expenditure on asset replacement so that a sensible replacement programme can be achieved without the need to vary budgets.
- Trading accounts - in some instances surpluses in excess of the budgeted level are retained by the traded service for future investment.
- Other earmarked funds will be set up from time to time to meet predicted liabilities or unforeseen issues that arise.
- To support transformational and departmental change.
- Meet commitments made that will be incurred in the future. Examples include; completion of projects, County Council contributions to partnership funding, commitments in the MTFS such as the Capital Programme.

The Director of Finance has the authority to take decisions relating to the creation and management of earmarked funds.

Schools Earmarked Funds

Schools balances are held for two main reasons. Firstly, as a contingency against financial risks and secondly, to save to meet planned commitments in future years. Decisions on these funds are taken by individual schools.

Monitoring Policy

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

APPENDIX J

EARMARKED FUND BALANCES

	Revised Balance 01/04/17 £000	Forecast Balance 31/03/18 £000	Forecast Balance 31/03/19 £000	Forecast Balance 31/03/20 £000	Forecast Balance 31/03/21 £000	Forecast Balance 31/03/22 £000
Renewal of Systems, Equipment and Vehicles						
Children & Family Services	1,800	1,670	850	550	260	0
Adults & Communities	70	70	70	0	0	0
Environment & Transport	2,070	2,050	570	180	130	80
Corporate Resources	1,530	1,530	970	720	250	50
Trading Accounts						
Industrial Properties	1,150	1,450	1,250	1,050	850	650
Insurance						
General	5,820	6,640	6,940	7,240	7,540	7,840
Schools schemes and risk management	420	420	420	420	420	420
Uninsured loss fund	5,000	5,000	5,000	5,000	5,000	5,000
Committed Balances						
Central Maintenance Fund	390	390	290	190	90	0
Community Grants	300	290	290	290	290	290
Other						
Children & Family Services						
Supporting Leicestershire Families	1,620	1,420	0	0	0	0
C&FS Developments	1,440	1,270	780	600	430	250
Youth Offending Service	470	470	350	230	110	0
Special Educational Needs Disability (SEND)	840	650	0	0	0	0
School Based Planning	690	550	410	270	130	0
Adults & Communities						
Adults & Communities Developments	0	340	540	620	620	620
Communities & Wellbeing Developments	320	190	70	0	0	0
Public Health	400	400	200	200	200	200
Environment & Transport						
Commuted Sums	2,630	2,530	2,130	1,730	1,330	930
Civil Parking Enforcement	190	140	90	40	0	0
Waste Developments	730	730	420	230	110	0
Section 38 Income	490	490	240	0	0	0
Section 106	360	510	100	200	300	400
Leicester & Leicestershire Integrated Transport Model (LLITM)	1,230	1,410	920	0	0	0
E&T Developments/ advanced design	1,380	1,660	1,150	1,000	850	700
Other	140	120	100	80	60	50
Chief Executive						
Strategy and Business Intelligence	70	0	0	0	0	0
Economic Development	680	290	130	0	0	0
Legal	310	100	0	0	0	0
Signposting and Community Support Service	460	180	0	0	0	0
Chief Executive Dept Developments	590	500	340	240	140	90
Corporate Resources						
Corporate Resources Developments	270	250	150	50	0	0
Leicestershire Schools Music Service	160	160	0	0	0	0
Corporate:						
Transformation Fund	18,290	13,880	9,370	5,000	4,000	3,000
East Midlands Shared Services - IT development	430	190	0	0	0	0
Elections	820	220	420	620	820	220
Broadband	5,450	3,500	1,120	0	0	0
Business Rates Retention	1,410	1,410	1,410	1,410	1,410	1,410
Inquiry and other costs	1,290	1,230	640	0	0	0
Local Authority Mortgage Scheme (LAMS)*	-8,400	-3,000	0	0	0	0
Pooled Property Fund investment **	-20,000	-20,000	-20,000	-20,000	-20,000	-20,000
TOTAL	**33,360**	**31,430**	**17,730**	**8,160**	**5,340**	**2,200**
Capital (Revenue Funding)						
Capital Financing (phasing of capital expenditure)	57,390	55,760	54,310	27,830	17,970	0
Future Developments	12,710	20,900	29,100	35,120	38,730	38,730
Total	70,100	76,660	83,410	62,950	56,700	38,730
Schools and Partnerships						
Dedicated Schools Grant	2,790	1,690	1,690	1,690	1,690	1,690
Health & Social Care Outcomes	930	930	180	180	180	180
Leicestershire Safeguarding Children Board	60	20	0	0	0	0
Leicestershire & Rutland Sport	910	900	840	760	720	670
Centre of Excellence	230	0	0	0	0	0
Leics Social Care Development Group	340	340	340	340	340	340
East Midlands Shared Services - other	510	190	0	0	0	0
Strategic Partnership Development Fund (Child Sexual Exploitation)	100	0	0	0	0	0
Total	5,870	4,070	3,050	2,970	2,930	2,880

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

** Pooled Property Fund investments - funded from the overall balance of earmarked funds; £5m still to be invested

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APPENDIX K

EFFECT OF COUNTY COUNCIL'S BUDGET DECISION ON 2018/19 COUNCIL TAX

BAND (APRIL 1991 VALUE)			Proportion of Band D	Main element	ASC Precept	County Council's Element
				£	£	£
A	(Up to	£40,000)	6/9	775.47	52.93	828.40
B	(£40,001 -	£52,000)	7/9	904.71	61.76	966.47
C	(£52,001 -	£68,000)	8/9	1,033.95	70.58	1,104.53
D	(£68,001 -	£88,000)	1	1,163.20	79.40	1,242.60
E	(£88,001 -	£120,000)	11/9	1,421.69	97.05	1,518.74
F	(£120,001 -	£160,000)	13/9	1,680.18	114.69	1,794.87
G	(£160,001 -	£320,000)	15/9	1,938.66	132.34	2,071.00
H	(Over	£320,000)	2	2,326.40	158.80	2,485.20

PRECEPT 2018/19

BILLING AUTHORITY	Tax Base	Precept £
Blaby	32,944.05	40,936,325
Charnwood	55,525.80	68,996,441
Harborough	34,663.80	43,073,289
Hinckley and Bosworth	38,118.00	47,365,483
Melton	18,379.50	22,838,394
North West Leicestershire	32,852.00	40,821,944
Oadby and Wigston	17,257.00	21,443,574
Total	229,740.15	285,475,450

2018/19 COUNCIL TAX BILL (COUNTY COUNCIL ELEMENT)
(EXAMPLE USING BAND D - % INCREASES APPLY TO ALL BANDS)

	2017/18 £	2018/19 £	Increases *
Main Element (core)	1,128.15	1,163.20	2.99%
ASC Precept **	44.23	79.40	3.00%
Total	1,172.38	1,242.60	5.99%

* per Government guidance each percentage is calculated as an increase to the 2017/18 total of £1,172.38

** The following paragraphs are required to be included with information to be made available to bill-payers. They explain that the County Council can raise an additional amount of Council Tax, for adult social care, without requiring a referendum.

"The Secretary of State for Communities and Local Government has made an offer to adult social care authorities. ("Adult social care authorities" are local authorities which have functions under Part 1 of the Care Act 2014, namely county councils in England, district councils for an area in England for which there is no county council, London borough councils, the Common Council of the City of London and the Council of the Isles of Scilly.)City of London and the Council of the Isles of Scilly.)

The offer is the option of an adult social care authority being able to charge an additional "precept" on its council tax for financial years from the financial year beginning in 2016 without holding a referendum, to assist the authority in meeting expenditure on adult social care. Subject to the annual approval of the House of Commons, the Secretary of State intends to offer the option of charging this "precept" at an appropriate level in each financial year up to and including the financial year 2019-20."

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APPENDIX L

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2018/19

1. This strategy statement has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice (the Code). Accordingly, the Council's Treasury Management Strategy will be approved annually by the full Council and there will be quarterly reports to the Corporate Governance Committee. The Corporate Governance Committee will consider the contents of Treasury Management Strategy Statement and Annual Investment Strategy at its meeting to be held on 29th January 2018. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

   The Council has adopted the following reporting arrangements in accordance with the requirements of the revised Code:-

Area of Responsibility	**Council/Committee/Officer**	**Frequency**
Treasury Management Policy Statement	Full Council	Annually before start of financial year
Treasury Management Strategy/Annual Investment Strategy	Full Council	Annually before start of financial year
Quarterly treasury management updates	Corporate Governance Committee	Quarterly
Updates or revisions to Treasury Management Strategy/Annual Investment Strategy during year	Cabinet (following consideration by Corporate Governance Committee, wherever practical)	Ad hoc
Annual Treasury Outturn Report	Cabinet	Annually by end of September following year end
Treasury Management Practices	Director of Finance	
Review of Treasury Management Strategy/Annual Investment Strategy	Corporate Governance Committee	Annually before start of financial year and before consideration by full Council, wherever practical
Review of Treasury Management Performance	Corporate Governance Committee	Annually by end of September following year end

Treasury Management Strategy 2018/19

2. The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set its treasury strategy for borrowing and to prepare an Annual Investment strategy (as required by Investment Guidance issued subsequent to the Act) and this is included as paragraphs 27 – 46 of this strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for 2018/19 in respect of the treasury management function is based upon Officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Link Asset Services (formerly called Capita Asset Services).

The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council
- the current treasury position
- the borrowing requirement
- Prudential and Treasury Indicators
- policy on borrowing in advance of need
- prospects for interest rates
- the borrowing strategy
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers
- the Minimum Revenue Provision (MRP) strategy

Balanced Budget Requirement

3. It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby the increase in charges to revenue from:-

i) increase in interest charges caused by increased borrowing to finance additional capital expenditure, and
ii) any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

Treasury Limits for 2018/19 to 2021/22

4. It is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax level is 'acceptable'.

Whilst termed an "Affordable Borrowing Limit" the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and three successive financial years. Details of the Authorised Limit can be found in annex 2 of this report.

Current Portfolio Position

5. The Council's treasury portfolio position at 31st December 2017 was:

		Principal £m	Average Rate %
Fixed Rate Funding	PWLB	161.10	6.773
	Market	103.50	4.374
Other Long Term Liabilities		0.00	
		264.60	5.834
Total Investments		193.70	0.670
Net debt		70.90	

The market debt relates to structures referred to as LOBOs (Lenders Option, Borrowers Option), where the lender has certain dates when they can increase the interest rate payable and, if they do, the borrower has the option of accepting the new rate or repaying the loan. All of these LOBOs have passed the first opportunity for the lender to change the rate and as a result they are all classed as fixed rate funding, even though, in theory, the rate could change in the future.

Borrowing Requirement

6. It is not currently anticipated that the Council will take out any net new borrowing in the period covered by the Medium Term Financial Strategy (i.e. 2018/19 – 2021/22), and it is also expected that maturing loans will not be replaced. In recent years the Council has moved from a position of funding a reasonable proportion of its historic capital expenditure internally (i.e. by using cash resources that would otherwise be available to lend on money markets) at a cost of the loss of interest that would otherwise have been earned, to the current

position whereby external debt is greater than the Capital Financing Requirement.

7. There are a number of reasons that the Council is in an ‘overborrowed’ position but among them are the relatively small size of the capital programme in recent years and the lack of unsupported borrowing within it, a move by Central Government to switch capital approvals (which required external debt to be raised) to grants and the meaningful levels of voluntary Minimum Revenue Provision (MRP) that have been applied in recent years..

8. The table below shows how the Capital Financing Requirement is expected to change over the period of the MTFS, and how this compares to the expected level of external debt. Although the level of actual debt exceeds the Capital Financing Requirement and will increase further in future years it is currently prohibitively expensive to prematurely repay existing debt. If there are cost-effective opportunities to avoid, or reduce, an overborrowed position they will be considered as long as they are in the best long-term financial interests of the Council. This will probably require both short and long-term borrowing rates to increase meaningfully from their current level.

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Opening Capital Financing Requirement	**256,920**	**246,534**	**236,543**	**230,069**
New Borrowing	0	0	0	0
Statutory Minimum Revenue Provision (MRP)	(10,386)	(9,991)	(6,474)	(6,476)
Voluntary MRP	0	0	0	0
Closing Capital Financing Requirement	**246,534**	**236,543**	**230,069**	**223,593**
Opening external debt	**264,600**	**264,100**	**263,600**	**263,100**
Loans maturing	(500)	(500)	(500)	(500)
Closing external debt	**264,100**	**263,600**	**263,100**	**262,600**
Overborrowed/(borrowing requirement)	**17,566**	**27,057**	**33,031**	**39,007**

It should be noted that from the 2020/21 financial year it is proposed to amend the method of calculating the MRP amount, which is part of the proposals for savings within the budget. Further detail on the change can be found in Annex 1 to this report.

Prudential and Treasury Indicators for 2018/19 – 2021/22

9. Prudential and Treasury Indicators (as set out in the tables in Annex 2 to this report) are relevant for the purpose of setting an integrated treasury management strategy.

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management, and this was adopted in February 2010.

Prospects for Interest Rates

10. The Bank of England raised interest rates to 0.5% from an all-time low of 0.25% in November 2017, which was the first increase in over 10 years. The Bank of England is very keen to give clear guidance to markets about the likely timing and extent of future base rate movements and there is currently an expectation of one further 0.25% increase in both 2018 and 2019.

11. Global economic growth has been relatively strong and, for the first time in many years, synchronised. The UK, whilst continuing to grow, is currently something of a laggard from a growth perspective and is likely to remain so whilst the significant Brexit-related doubts persist. It is likely that Central Banks will be returning monetary policy to more 'normal' operations in the near future – for some this will mean the withdrawal of quantitative easing and other forms of support before it feeds through into base rate rises. Given that the biggest risk to global growth is probably a policy error by Central Banks, it seems likely that they will be cautious in taking action and will wait for clear evidence of the need for it before any changes are made.

12. The range of forecasts produced by economists in respect of UK base rate rises is relatively narrow, with very few predicting meaningful increases in bank base rates over the next 2 – 3 years. There is, of course, a possibility that the negotiations over Brexit may prove easier or more difficult than is currently assumed, so there is the prospect of these expectations changing. It is, however, very difficult to foresee circumstances that do not involve base rates staying very low for the next few years.

Borrowing Strategy

13. The outlook for borrowing rates - which are linked to Government bond (gilt) yields – is difficult to predict. Gilt yields have risen steadily from the multi-generational lows reached in the wake of the Brexit vote, but they are still very low by historic standards. UK Gilts will react not only to the UK economic situation, but also to movements in global bond markets, and Governments/Central Banks are very wary of sharply rising bond yields because of the knock-on effect this is likely to have on to other investment markets and potentially the economy. Whilst most investors expect bond yields to continue to trend upwards at a controlled pace, any setback in economic growth (not just in the UK, but also globally) may cause bond yields to fall.

14. The biggest external factor that is likely to influence gilt yields is the likely expansion of government spending within the US. President Trump has so far been frustrated in many of his attempts to raise spending (particularly on infrastructure), but may ultimately be able to push his policies through. Increased infrastructure spend would lead to an increase in the supply of US Treasury Bonds, and potentially to an excess of supply over demand, which would place upward pressure onto yields and have a potential knock-on impact to government bond yields elsewhere. Bond yields react to numerous other factors, however, and movements in them often defy any supposition about how they will react to events.

15. Although borrowing from the Public Works Loans Board (PWLB) is still generally the most attractive external option available to the authority, the current overborrowed position makes the use of external borrowing unlikely. Even if the outlook for an overborrowed position changes, which is only likely if significant repayments of existing debt happens, the use of internal borrowing via available cash flows and balances (at a cost of the interest which would otherwise have been gained by lending the money to acceptable counterparties) is a more likely option.

16. Borrowing rates very rarely move in one direction without there being periods of volatility, and it is sensible to maintain a flexible and proactive stance towards when borrowing should be carried out (if, indeed, any borrowing is taken). Likewise it is sensible to retain flexibility over whether short, medium or long-term funding will be taken and whether some element of variable rate funding might be attractive. Any borrowing carried out will take into account the medium term costs and risks and will not be based on minimising short term costs if this is felt to compromise the medium term financial position of the Council.

External v Internal Borrowing

17. The Council currently has significant cash balances invested, and at the end of December 2017 these stood at £193.7m. These balances relate to a number of different items – earmarked funds, provisions, grants received in advance of expenditure, money invested on behalf of schools and simple cash flow are some of them. A growing source of cash balances relates to the overborrowed position outlined in paragraph 8. Without a significant increase in interest rates the overborrowing is forecast to grow to £160m by 2047. To avoid the value of this cash asset being eroded by inflation opportunities will be sought to improve the return received whilst keeping the risk to capital at a low level. Depending upon the investment approach chosen this could give rise to a requirement for internal borrowing. Therefore the Capital Financing Requirement indicator in Annex 2 is set at a level higher than the forecast requirement in paragraph 8, to provide capacity for internal borrowing.

18. The Council has, since January 2009, repaid almost £95m more of external loans than has been borrowed. There has also been no new borrowing to finance the capital programme over this period, and there is no longer any internal funding of the historic capital programme using other cash resources – in fact, the Council has more external borrowing than is required to fund the historic capital programme. In an ideal world action would be taken to ensure that an overborrowed position does not occur, but the reality is that this could only happen by the premature repayment of existing debt and this is currently not a cost-effective option. If an opportunity to repay debt occurs that is sensible from a financial perspective, it will be taken.

19. The balance between internal and external borrowing will be managed proactively, with the intention of minimising long-term financing costs. Short-term savings which involve undue risk in respect of long-term costs will not be considered.

Policy on borrowing in advance of need

20. The Council will not borrow in advance of need simply to benefit from earning more interest on investing the cash than is being paid on the loan. If value for money can be demonstrated by borrowing in advance this option may be taken, but only if it is felt that the money can be invested securely until the cash is required.

21 In determining whether borrowing will be taken in advance of the need the Council will;

- ensure that there is a clear link between the capital programme and maturity profile of existing debt which supports taking financing in advance of need
- ensure that the revenue implications of the borrowing, and the impact on future plans and budgets have been considered
- evaluate the economic and market factors which might influence the manner and timing of any decision to borrow
- consider the merits (or otherwise) of other forms of funding
- consider a range of periods and repayment profiles for the borrowing.

22. The current position in respect of the level of actual borrowing in comparison to the Capital Financing Requirement, and a move by Central Government to replace borrowing approvals for capital projects with grants, makes it extremely unlikely that borrowing in advance of need will be used in the foreseeable future.

Debt Rescheduling/Premature Debt Repayment

23. Debt rescheduling usually involves the premature repayment of debt and its replacement with debt for a different period, to take advantage of differences in the interest rate yield curve. The repayment and replacement does not necessarily have to happen simultaneously, but would be expected to have occurred within a relatively short period of time.

24. If medium and long-term loan rates rise substantially in the coming years, there may be opportunities to adjust the portfolio to take advantage of lower rates in shorter periods. It is important that the debt portfolio is not managed to maximise short-term interest savings if this is felt to be overly risky, and a maturity profile that is overly focussed into a single year will be avoided. Changes in recent years to the way that PWLB rates are set, and the introduction of a significant gap between new borrowing costs and the rate used in calculating premia/discounts for premature debt repayments, significantly reduces the probability of debt rescheduling being attractive in the future.

25. If there is meaningful increase in medium and long-term premature repayment rates there is a possibility that premature repayment of existing debt (without any replacement) might become attractive, particularly given the current overborrowed position. This type of action would only be carried out if it was considered likely to be beneficial in the medium term.

26. All debt rescheduling or premature repayments will be reported to the Corporate Governance Committee at the earliest meeting following the action.

Annual Investment Strategy

Investment Policy

27. The Council will have regard to the DCLG's Guidance on Local Authority Investments ("the Guidance") issued in March 2004, any revisions to that guidance, the Audit Commission's report on Icelandic investments and the 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:-

    - the security of capital and
    - the liquidity of its investments

28. The Council will aim to achieve an optimal return on its investments that is commensurate with proper level of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments. Borrowing money purely to invest or on-lend is unlawful and this Council will not engage in such activity.

29. The Council's policy in respect of deciding which counterparties are acceptable has always been stringent, and is one reason that the various financial organisations that have got into financial difficulties over the years (BCCI, Northern Rock, the Icelandic Banks etc.) have not been on the list of acceptable counterparties.

30. In broad terms the list of acceptable counterparties uses the list produced by Link Asset Services (the Council's treasury management advisor) but excludes any party that is included in the Link list with a maximum loan maturity period of 100 days or less. All counterparties are also restricted to a maximum loan period of one year. There are also other factors taken into account which dictate the maximum value of loans to any counterparty, together with limits on maximum exposure to all counterparties from the same country (with the exception of the UK, where there is no maximum country-level limit).

31. The combination of all these factors produces a counterparty list that comprises only very secure financial institutions, and a list that is managed pro-actively as new information is available. There are no recommended changes to the methods of compiling the counterparty list.

32. The investment instruments identified for use in the financial year are listed below. The limits for both maximum loan periods and amounts will be set in line with the criteria shown in annex 3. This list has changed from the one that was approved as part of the 2016/17 Annual Investment Strategy; the ability to invest in pooled private debt funds has been added (considered by Corporate Governance Committee and approved by Cabinet late in 2017), and the ability to invest in Money Market Funds (MMFs) has been expanded to take account of the fact that there will be changes to this sector of the market from July 2018.

33. At present the Council will only invest in MMFs that are classed as Constant Net Asset Value (CNAV); these are Funds in which the capital valuation of a unit will always be maintained at £1. From July 2018 only MMFs that maintain at least

99.5% of their assets in government backed assets will be able to classify themselves as CNAV Funds. The nature of the assets that these MMFs hold will mean that the returns available from them are unlikely to be attractive to the Council.

34. Low Volatility Net Asset Value (LVNAV) MMFs will be introduced and these Funds will be permitted to maintain the unit price at £1 as long as the net asset value does not deviate by more than 0.20% from this level – the current rules allow maintenance of a constant net asset value at a deviation of up to 0.5%. The MMFs currently utilised by the Council are unlikely to have any problem with the lower level of allowed deviation, and are expected to be reclassified as LVNAV.

35. Variable Net Asset Value (VNAV) MMFs already exist, and these Funds will value their units on the basis of the underlying value of the assets that they hold; the unit price will not necessarily always be exactly £1. Investing in this type of MMF gives the possibility of a capital gain or loss when redeeming units, although the reality is that they almost always have a unit price which is very close to £1. The upside of this type of MMF is that they are allowed greater flexibility around the periods for which they can invest, and hence they tend to produce a noticeably better level of interest for the investor; the most obvious downside is the possibility of realising a capital loss.

36. While it is not currently considered likely that VNAV MMFs will be used for Treasury Management purposes, they have been added to the list. There may be circumstances whereby the additional income yield is considered more-than-sufficient compensation for the risk of a potential (but small) loss of capital. The Council also has sufficient cash resources that it is likely to be able to retain an investment in a VNAV MMF until such time as a redemption can be made without a capital loss. In the near term a ‘watching brief’ will be kept on VNAV MMFs and no investment will be considered until such time as Officers are comfortable that the potential rewards outweigh the risks.

37. There is a requirement within the Annual Investment Strategy to state which of the approved methods of lending are specified, and which are non-specified. In broad terms a specified investment will be capable of repayment within one year and be made to a counterparty with a high credit rating; by implication non-specified investments are more risky than specified investments as they are either for longer periods of time or to lower-quality counterparties. Anything that does not meet either of these ‘tests’ is, by default, non-specified and must be highlighted as such within the Strategy. The long-term nature of the ‘LOBO-offset’ loan to Danske Bank means that it is non-specified investment, although the off-setting nature of the borrowing and the loan actually makes it low risk. Investment in pooled private debt funds is also non-specified, primarily due to the illiquid and medium-term nature of the investment.

Investment	Repayment within 12 months	Level of Security	Maximum Period	Maximum % of Portfolio or cash sum (1)
Term deposits with the Debt Management Office	Yes	Government-Backed	1 year	100
UK Government Treasury Bills	Yes	Government-Backed	1 year	100
Term deposits with credit-rated institutions with maturities up to 1 year*	Yes	Varied acceptable credit ratings, but high security	1 year	100
Term deposits that are legally capable of offset against existing LOBO borrowing that the Council has^	No	Varied, but off-setting nature of borrowing against loan gives a very low risk	20 years	25
Money Market Funds: Constant NAV Low Volatility NAV	Yes	At least as high as acceptable credit – rated banks	Daily, same-day redemptions and subscriptions	£125m (includes any investment in variable NAV MMFs)
Variable NAV Money Market Funds	Yes	At least as high as acceptable credit – rated banks	Same day subscriptions, 2 – 3 day redemption period	£125m (includes any investment in other MMFs)
Pooled private debt funds^	No	Diversification within pooled fund and historic loss rate suggests high security	Varies across funds – likely to be at least a three year investment period, followed by a further three years to redeem all loans	£40m
Term Deposits with UK Local Authorities up to 1 year	Yes	LA's do not have credit ratings, but high security	1 year	50
Certificates of Deposit with credit-rated institutions with maturities of up to 1 year	Yes	Varied acceptable credit ratings, but high security	1 year	100

(1) As the value of the investment portfolio is variable, limit applies at time of agreeing investment. Subsequent changes in the level of the portfolio will not be classed as a breach of any limits.

^ Non-specified investment

* For the sake of clarity, if a forward deal (one where the start of the investment is at some future date) is agreed, the maximum period commences on the first date of investment.

Local Authority Mortgage Scheme

Under this scheme the Council has a current investment of £5m (@ 31/12/17), for a period of up to 5 years. This is classified as being a service investment, rather than a treasury management investment.

Leicestershire Local Enterprise Fund
Up to £1m has been made available for loans to small and medium-sized Leicestershire businesses via this Fund, which is administered by Funding Circle. This is classified as being a service investment, rather than a treasury management investment. This Fund is in the process of being wound-down as there is no longer evidence of financial support from the Council being required

Pooled property fund investment
As at the end of December 2017 £20m had been invested. A further £5m has been agreed for investment but transactions had not been entered into to action this. This is classified as a service investment, rather than a treasury management investment.

Creditworthiness policy

38. The Council adopts the suggested counterparty list as produced by Link Asset Services, subject to a maximum one year loan period and the exclusion of any counterparty with a suggested maximum loan period of 100 days or less. Link's methodology includes the use of credit ratings from S & P, Fitch and Moody's, factors such as credit outlook reports from the credit rating agencies, the rating of the sovereign government in which the counterparty is domiciled and the level of Credit Default Swap spreads within the market (effectively the market cost of insuring against default). The general economic climate is also considered and will, on occasions, have an impact onto the list of suggested counterparties.

39. Link Asset Services issue very timely information in respect of changes to credit ratings or outlooks, and changes to their suggested counterparty list are also issued. These reports are monitored within a short time of receipt and any relevant changes to the counterparty list are actioned as quickly as is practical. A weekly summary of the credit ratings etc. of counterparties is also issued and this gives an opportunity to ensure that no important information has been missed.

Country Limits

40. The Capita criteria includes a requirement for the country of domicile of any counterparty to be very highly rated. This is a requirement on the basis that it will probably be the national government which will offer financial support to a failing bank, but the country must itself be financially able to afford the support. The Council's list of acceptable counterparties will include a limit on the maximum amount that can be invested in all counterparties domiciled in a single country (except for the UK) in order to mitigate sovereign risk.

Investment Strategy

41. The investment strategy shall be to only invest in those institutions and/or asset types that are included in the counterparty list, and only to lend up to the limit set for each counterparty. Periods for which loans are placed will take into account the outlook for interest rates and, to a lesser extent, the need to retain cash flows. There may be occasions when it is necessary to borrow to fund short-term cashflow issues, but there will generally be no deliberate intention to make regular borrowing necessary.

Policy on the use of external service providers

42. External investment managers will not be used, except to the extent that a Money Market Fund or the managers of pooled property or private debt funds can be considered as an external manager.

43. The Council uses Link Asset Services as its external treasury management adviser, but recognises that responsibility for treasury management decisions remains with the organisation at all times. Undue reliance on our external advisers will be avoided, although the value of employing an external adviser and accessing specialist skills and resources is recognised.

Scheme of Delegation

44. (i) Full Council
- Approval of annual strategy
- Other matters where full Council approval is required under guidance or statutory requirement

(ii) Cabinet
- Approval of updates or revisions to strategy during the year
- Approval of Annual Treasury Outturn report

(iii) Corporate Governance Committee
- Mid-year treasury management updates (usually quarterly)
- Review of treasury management policy and procedures, including making recommendations to responsible body
- Scrutiny of Treasury Management Strategy/Annual Investment Strategy and Annual Treasury Outturn report.

(iv) Director of Finance
- Day-to-day management of treasury management, within agreed policy
- Appointment of external advisers, within existing Council procurement procedures

Role of Section 151 Officer

45. The Section 151 Officer is the Director of Finance, who has responsibility for the day-to-day running of the treasury management function.

Pension Fund Cash

46. This Council will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which were implemented on 1st January 2010, and will not pool pension fund cash with its own cash balances for investment purposes. Any investments made by the pension fund directly with the County Council after 1st April 2010 will comply with the requirements of SI 2009 No 393.

ANNEX 1

ANNUAL STATEMENT FOR THE DETERMINATION OF THE ANNUAL MINIMUM REVENUE PROVISION (MRP)

Statutory regulations introduced in 2008 require local authorities to make prudent provision for the repayment of debt raised to finance capital expenditure. In addition a statement of the level of MRP has to be submitted to the County Council for approval before the start of the next financial year.

Prudent Provision.

The definition of what is prudent provision is determined by each local authority based on guidance rather than statutory regulation

It is proposed that provision is made on the following basis:

Government supported borrowing (through the formula grant system):

Retention of the pre 2003 arrangements whereby provision for repayment is based on 4% of outstanding debt (i.e. repayment over approximately 25 years) including an optional adjustment used in the transition to the new system in 2004 to avoid debt repayment being higher than under the previous system.

Prudential (unsupported) borrowing and expenditure capitalised by direction of the Secretary of State and certain other expenditure classified as capital incurred after 1st April 2008:

Provision to be based on the estimated life of the asset to be financed by that borrowing, with repayment by equal annual instalments.

The County Council will also look to take opportunities to use general underspends and one-off balances to make additional (voluntary) revenue provision where possible to reduce ongoing capital financing costs.

Financial Implications

MRP is a constituent of the Financing of Capital budget shown within Central Items component of the revenue budget and for 2018/19 totals £10.4m. This comprises £10m in respect of supported borrowing and £0.4m in respect of unsupported borrowing incurred since 2008/9.

The extent of unsupported borrowing required to finance the capital programme is not directly linked to any specific projects thus in determining the average life of assets an average of 25 years has been taken as proxy for the average life of assets contained within the discretionary component of the Capital Programme.

ANNEX 2

PRUDENTIAL AND TREASURY INDICATORS

In line with the requirements of the CIPFA Prudential Code for Capital Finance in local authorities, the various indicators that inform authorities whether their capital investment plans are affordable, prudent and sustainable, are set out below.

A further key objective of the code is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. The indicators for Treasury management are set out in this paper.

Compliance with the Code is required under Part I of the Local Government Act 2003.

	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Expenditure	£99m	£83m	£122m	£119m	£68m	£59m
Capital financing requirement	£268m	£257m	£257m	£257m	£257m	£257m
Ratio of total financing costs to net revenue stream	7.19%	5.94%	5.54%	5.62%	4.75%	4.81%
Impact on Band D Council Tax of unsupported borrowing	£3.89	£3.72	£3.55	£3.42	£3.30	£2.96

The projected level of capital expenditure shown above differs from the total of the detailed four year programme presented in this report as an allowance has been provided to cover estimated additional expenditure that may occur during the course of a year, for instance projects funded by government grants, section 106 contributions and projects funded from the future developments programme. Capital expenditure for 2020/21 to 2021/22 is less than earlier years as government funding for Children and Family Services has not yet been announced.

The capital financing requirement (CFR) measures the Authority's need to borrow for capital purposes and as such is influenced by the availability of capital receipts and income from third parties, e.g. grants and developer contributions. The estimates are higher than the amounts shown in the main Treasury Management Strategy as they include provision to potentially use part of the over borrowed position (compared with actual debt). This would provide flexibility to raise prudential borrowing (funded from internal borrowing) to fund future capital developments and the Corporate Asset Investment Fund if needed.

The prudential code includes the following as a key indicator of prudence:

'In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years'. In the medium term this indicator will not be met due to the reduction in the capital financing requirement in recent years and the currently prohibitively expensive premiums to repay existing debt. The Council will consider options to reduce this position where they are in the long term financial interests of the Council. Further details are included in the main Treasury Management Strategy Statement and Annual Investment Strategy 2018/19.

The key indicator of affordability is the impact of capital expenditure on Council Tax. The indicator falls gradually over the periods shown reflecting the decision for no new unsupported borrowing from external loans.

In respect of external debt, it is recommended that the Council approves the limits detailed in the tables below for its total external debt for the next four financial years. These limits separately identify borrowing from other long term liabilities such as finance leases. The Council is asked to approve these limits and to delegate authority to the Director of Finance, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities. Any such changes made will be reported to the Cabinet at its next meeting following the change.

There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. They are both based on estimates of most likely, but not worst case, scenario. The key difference is that the Authorised Limit cannot be breached without prior approval of the County Council. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, "invest to save" projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls as well as an assessment of risks involved in managing cash flows. The Operational Boundary is a more realistic indicator of the likely position.

Operational boundary for external debt

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Borrowing	264.6	264.1	263.6	263.1
Other long term liabilities	1.3	1.2	1.1	1.0
Total	**265.9**	**265.3**	**264.7**	**264.1**

Authorised limit for external debt

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Borrowing	274.6	274.1	273.6	273.1
Other long term liabilities	1.3	1.2	1.1	1.0
Total	**275.9**	**275.3**	**274.7**	**274.1**

In agreeing these limits, the Council is asked to note that the authorised limit determined for 2018/19 will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.

Comparison of original 2017/18 indicators with the latest forecast

In February 2017 the County Council approved certain prudential limits and indicators, the latest projections of which are shown below:

	Prudential Indicator 2017/18	Latest Projection 18/01/18
Actual Capital Financing Costs as a % of Net Revenue Stream	5.95%	5.94%
Capital Expenditure	£83m	£83m
Operational Boundary for External Debt	£275.9m	£275.9m
Authorised Limit for External Debt	£285.9m	£285.9m
Interest Rate Exposure – Fixed	50-100%	100%
Interest Rate Exposure – Variable	0-50%	0%
Capital Financing Requirement	£257m	£257m

The latest forecast of external debt, £264.6m, shows that it is within both the authorised borrowing limit and the operational boundary set for 2017/18. The maturity structure of debt is within the indicators set. The latest projection for capital expenditure is in line with the indicator set.

Treasury Management Indicators
The Local Government Act 2003 requires the County Council to ensure that treasury management is carried out with good professional practice. The Prudential Code includes the following as the required indicators in respect of treasury management:

a) Upper limits on fixed interest and variable rate external borrowing.
b) Upper and lower limits for the maturity structure of borrowings.
c) Upper limit for principal sums invested for periods longer than 364 days.

After reviewing the current situation and assessing the likely position next year, the following limits are recommended:

a) An upper limit on fixed interest rate exposures for 2018/19 to 2021/22 of 100% of its net outstanding principal sums and an upper limit on its variable interest rate exposures for 2018/19 to 2021/22 of 50% of its net outstanding principal sums.

b) Upper and lower limits for the maturity structure of its borrowings as follows: Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate:

	Upper Limit %	Lower Limit%
under 12 months	30	0
12 months and within 24 months	30	0
24 months and within 5 years	50	0
5 years and within 10 years	70	0
10 years and above	100	25

c) An upper limit for principal sums invested for periods longer than 364 days is 0% of the portfolio.

The County Council has adopted the CIPFA code of Practice for Treasury Management in the Public Services.

ANNEX 3

POLICY ON APPROVED ORGANISATIONS FOR LENDING

APPROVED ORGANISATIONS FOR LENDING

Institution	Maximum Sum Outstanding/Period of Loan
UK Clearing Banks and UK Building Societies*	£20m/6 months up to £50m/12months
UK Debt Management Office	No maximum sum outstanding/12 months
UK Government Treasury Bills	No maximum sum outstanding/12 months
Foreign Banks	£10m/6 months up to £15m/12 months
Money Market Funds	£25m limit within any AAA-rated fund. £125m maximum exposure to all Money Market Funds
UK Local Authorities	£10m/12 months

*In the event that an investment is entered into which is legally offset against borrowing in the form of a LOBO (Lender's Option, Borrower's Option) from the same counterparty, the maximum period will be 20 years and the maximum sum will be the amount of the LOBO deal against which the legal offset exists.

The list of acceptable institutions will mirror the list of suggested counterparties maintained by Capita Asset Services, except the maximum maturity period will be restricted to 1 year and no institution with a suggested maturity period of 100 days or less will be excluded.

LIMITS FOR INDIVIDUAL FINANCIAL INSTITUTIONS

UK Banks and Building Societies

Maximum Sum Outstanding	£50m	£30m	£20m
Maximum Loan Period	1 year	1 year	6 months
General description	'Special Institutions' (i.e. a significant element of UK-Government ownership) and included in Capita list for period of 1 year or more	Not 'special institutions' and included in Capita list for period of 1 year or more	Included in Capita List for period of 6 months

Overseas Banks

Maximum Sum Outstanding	£15m	£10m
Maximum Loan Period	1 year	6 months
Minimum Fitch Ratings	Included in Capita list for period of 1 year or more	Included in Capita List for period of 6 months

A maximum of £30m can be invested with all banks domiciled within a single country (note: there is no limit for total lending to UK financial institutions).

Some financial institutions have both a parent company and a subsidiary that are licensed deposit takers in the UK. Where this is the case a ‘group limit’ will apply, and this will be the limit that is given to the parent company.

In some cases the parent company will be an overseas institution and they will have UK-registered subsidiaries. Where this is the case the parent company limit will apply at a total group level, even if this limit is less than would be given to the UK subsidiary on a stand-alone basis. Any money invested with a UK subsidiary of an overseas institution will be classed as being invested in the country of domicile of the parent, if the parent is an overseas institution for country-maximum purposes.

If the credit rating of an individual financial institution decreases to a level which no longer makes them an acceptable counterparty the Director of Finance will make a decision on what action to take. Similar actions will be taken if a counterparty is downgraded to a level which allows them to remain on the list of acceptable counterparties, but where the unexpired term of any loan is longer than the maximum period for which a new loan could be placed with them.

In the event that the circumstances highlighted in the above paragraph occur, the Director of Finance will report his decision to the Cabinet and/or Corporate Governance Committee when it is deemed significant enough to do so. If there is considered to be no meaningful risk involved, relative to agreeing a new loan of the outstanding maturity period to the same counterparty, the decision will not be reported.

It should be noted that there will be no legal right to cancel a loan early, and any premature repayment can only be made with the approval of the counterparty and may include financial penalties.

ANNEX 4

TREASURY MANAGEMENT POLICY STATEMENT (TMPS)

1. This organisation defines its treasury management activities as:

   " The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

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Appendix M

Leicestershire's future

Provisional Medium Term Financial Strategy 2018 – 2022 consultation results

Published January 2018

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- Communities Team, Leicestershire County Council
- Strategic Finance, Leicestershire County Council

CONTENTS

Key findings

In total, 236 responses were received to the consultation survey, of which 64% were residents of Leicestershire and 57% were employees of Leicestershire County Council. Nearly a third of respondents (31%) were in favour of paying a Council Tax increase of 2% to fund county council services before any addition of a social care precept, and 28% said they would favour an increase of above 2%. In addition, over two-thirds of respondents (70%) were in favour of increasing Council Tax by 2% to fund adult social care in Leicestershire (the adult social care precept).

Overall, 25% supported an increase in Council Tax (including any social care precept) of 4%, and 29% were in favour of an increase of above 4%. In contrast, 13% said they did not want any increase in Council Tax.

When asked whether they agreed or disagreed with how the growth and savings had been allocated across services, response was split; 32% agreed, and 35% disagreed.

Open comments regarding service reductions highlighted some key areas of concern, particularly social care (adults or children's), early help and/or preventative services and environment and transport (including highway maintenance). Although many respondents indicated that they could not identify any areas where further efficiency savings could be made, some common themes noted amongst the suggestions received included those related to staff expenditure, councillor expenditure and reductions in non-essential or non-statutory services.

Comments also highlighted support or overall agreement with the areas identified for growth although concerns were expressed by some respondents regarding social care and the overall approach to the proposals, such as the need for a business or commercial outlook. Recurring themes amongst additional comments received regarding the proposals included support for more or fairer funding, some criticism and concerns regarding the proposals, including comments regarding Council Tax increases. Several respondents did, however, express an understanding of the challenge facing the council and the need for savings to be made.

The majority of respondents (86%) agreed that the way funding is distributed between councils should be reviewed and comments reflected three main themes, namely general support for fair funding, the unfair distribution of funding and the view that Leicestershire specifically is under-funded.

The majority of respondents (77%) also agreed with the council's desired approach to further develop commercial activities as a way of generating income for the council. Many of the subsequent comments expressed general support for the approach and/or support for specific income generation ideas.

In addition to the survey responses, separate submissions were received from Blaby Parish Council and the Leicester and Leicestershire Enterprise Partnership (LLEP). Blaby Parish Council highlighted concerns regarding adult and children's services, road maintenance, waste management and public health. The LLEP recognised the financial pressures facing the authority and outlined its support for the proposals, particularly those promoting economic growth.

Background

Leicestershire County Council's latest four year plan outlines the extremely challenging financial position facing the authority. The proposals include savings of £54m and an extra £40m growth, mainly in recognition of the increased strain on children's and adult social care. To try and limit further cuts to services, the plans propose a Council Tax increase of 3.99%, which includes a 2% adult social care precept. The county council is also continuing to make efficiency savings and transform services to make the organisation much leaner, including income generation, increased partnership working and leading calls for fair funding from the government.

The provisional Medium Term Financial Strategy 2018-22 reflects the above context and the consultation exercise on the budget plan was designed to provide an opportunity for residents and community groups to have their views heard and taken into account.

Methodology

Following the publication of the detailed budget proposals, a summary document and survey form were made available on the county council's website for the duration of the consultation period of 13th December 2017 to 21st January 2018.

This provided the opportunity for any member of the public, including Leicestershire County Council employees, to complete the survey. Paper copies of the survey and copies in alternative formats (including easy read) were available on request. A dedicated email address was also provided for the duration of the consultation period for respondents to submit their views should they wish. The consultation was promoted to the Leicester Shire Business Council, the Leicester and Leicestershire Enterprise Partnership, Parish Councils and the Leicestershire Equalities Challenge Group.

Communication

A range of communications activity was used throughout the consultation period to encourage people to have their say, including direct emails, online content, intranet stories, Yammer posts, media releases, Twitter, Facebook and LinkedIn posts and emails to staff and businesses. This sparked wide-ranging coverage across high-impact broadcast and print coverage and 355+ video views, and ultimately, helped to generate 236 responses.

Questions

The survey asked respondents about Council Tax levels (including the Government's proposed 2% social care precept) and the extent to which they agreed or disagreed with how the budget had been allocated across services. It also asked a number of open ended questions about the budget and the way the council works. These are listed below:

- Are there any specific service reductions you disagree with?
- Are there any additional service reductions or charges you think we should consider?
- Are there any areas where you think we could make further efficiency savings without impacting on services?
- Do you have any comments about the areas identified for growth?
- Do you have any other comments about our draft budget proposals?

The questionnaire included a question on fair funding, asking respondents to what extent they agreed or disagreed that the way funding is distributed between councils should be reviewed. Respondents were also provided an opportunity to add comments to their response.

Respondents were also asked about the county council's desire to develop commercial activities as a way of generating income for the council and to what extent they agreed or disagreed with this approach, including an opportunity to provide open comments.

A range of demographic questions were also asked, namely: gender, gender identity at birth, age, disability, ethnicity, religion, sexual orientation, postcode, whether the respondents are parents or carers of a young person aged 17 or under, or a carer of a person aged 18 or over. See Appendix 1 for the full questionnaire.

Analysis

Graphs and tables have been used to assist explanation and analysis. Question results have been reported based on those who provided a valid response, i.e. taking out the 'don't know' responses and no replies.

The responses of different demographic groups were also statistically analysed and significant differences are highlighted within the relevant the sections of the report.

Results

In total, 236 responses to the survey were received.

Respondent profile

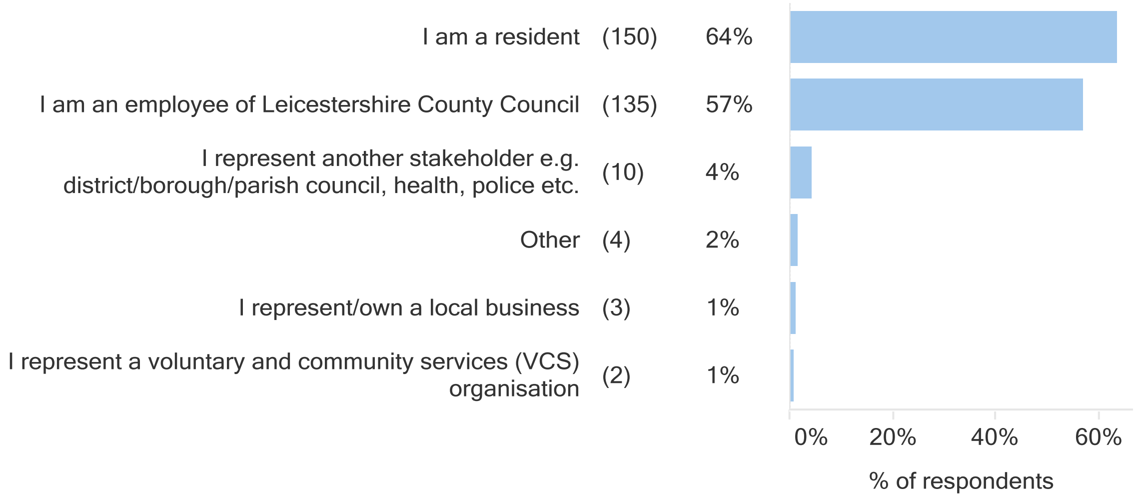
A full respondent profile can be found in Appendix 2.

Question 1 - Role

Respondents were asked in what capacity they were responding to the survey. Chart 1 below shows the breakdown. It shows that almost two thirds of people who completed the survey were responding as residents (64%) and over half were employees of Leicestershire County Council (LCC) (57%). Chart 2 shows 39% of respondents were residents but not employees of LCC, 32% were LCC employees and not residents, and 25% were both.

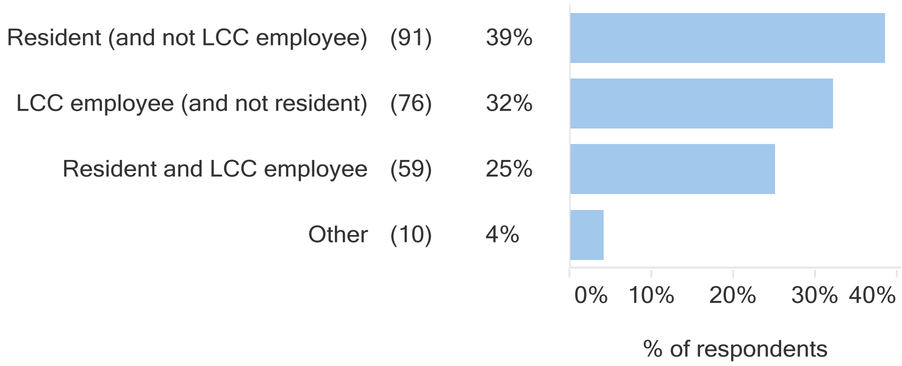
Throughout the analysis that follows, comparison has been made between the views from residents who are not LCC employees (91 respondents) and the views from those who work for the county council (135 respondents).

Chart 1 - Role (multiple response)



Base = 236

Chart 2 - Role (single response)

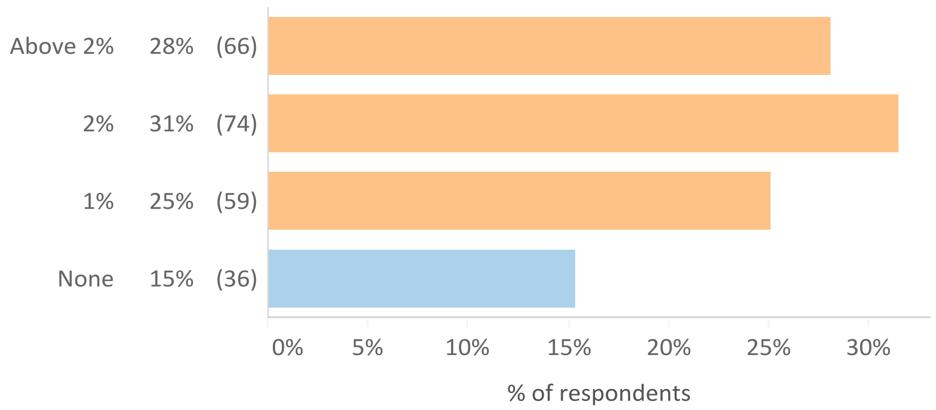


Base = 236

Question 2 - Council Tax increase

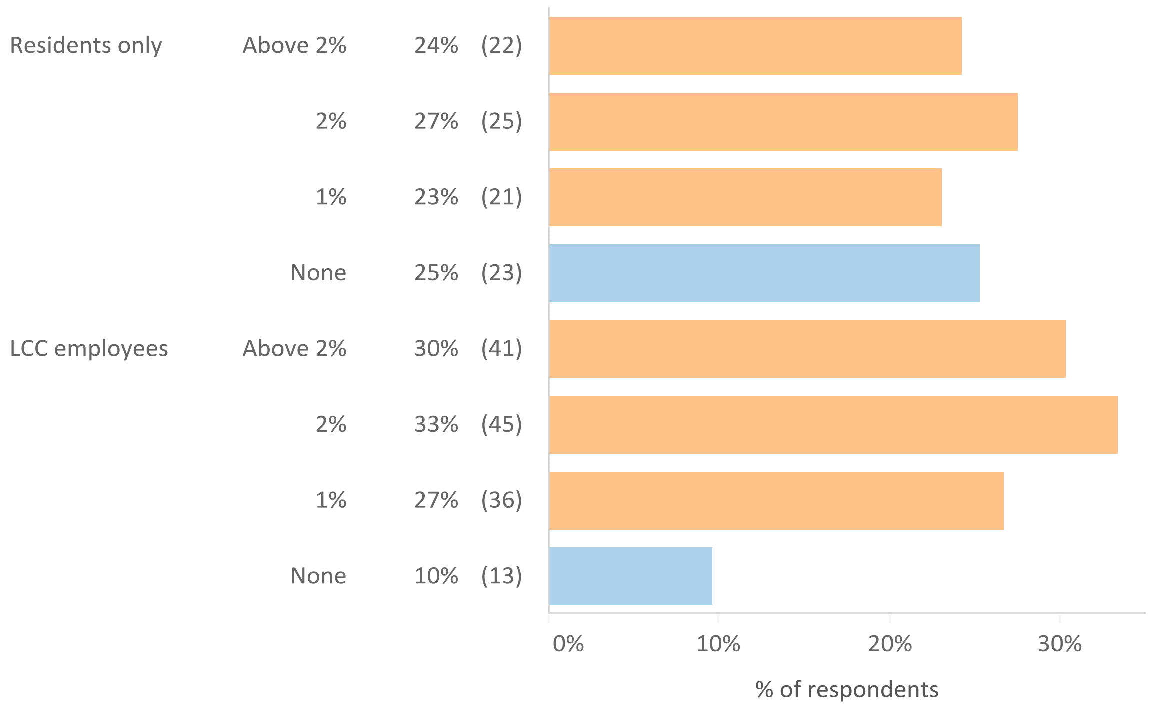
Respondents were asked what Council Tax increase they would be prepared to pay to fund county council services, excluding the 2% social care precept. Chart 3 shows that 31% of respondents were in favour of paying an increase of 2%, and 28% said they would pay above 2%. In contrast, 15% said they did not want an increase in Council Tax (excluding any social care precept). There was no statistically significant difference in responses by role (Chart 4). Statistical analysis did however indicate that male respondents were significantly more likely than female respondents to be prepared to pay a Council Tax increase of above 2%.

Chart 3 - Council Tax increase



Base = 235

Chart 4 - Council Tax increase - by role

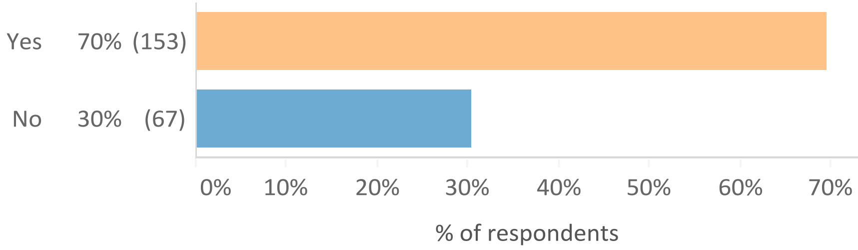


Resident base = 91
LCC employee base = 135

Question 3 - 2% social care precept

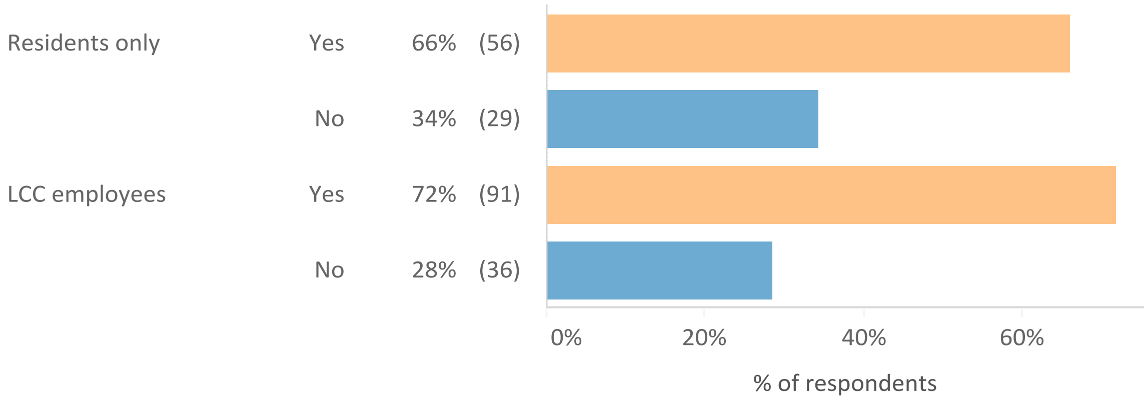
Respondents were asked whether they thought the county council should increase Council Tax by a further 2% (i.e. the Government's social care precept) to be used exclusively for the funding of adult social care in Leicestershire. Chart 5 shows that the majority of respondents (70%) felt the council should do this. There was no statistically significant difference in responses by role (Chart 6).

Chart 5 - 2% social care precept



Base = 220

Chart 6 - 2% social care precept - by role



Resident base = 85
LCC employee base = 127

Table 1 shows that a quarter of respondents (25%) said they would favour a Council Tax increase (including any social care precept) of 4%, and 29% favoured an increase of above 4%. 13% wanted no increase in either.

Table 1 - Q2 by Q3

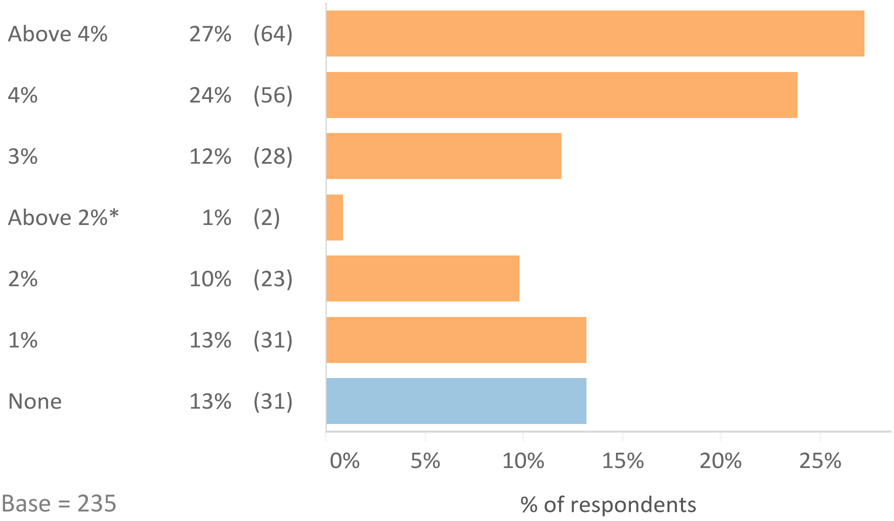
		2% social care precept	
		Yes	No
Council Tax increase (excluding social care precept)	Above 2%	29%	
	2%	25%	5%
	1%	13%	12%
	None	2%	13%

Base = 219

Total Council Tax increase

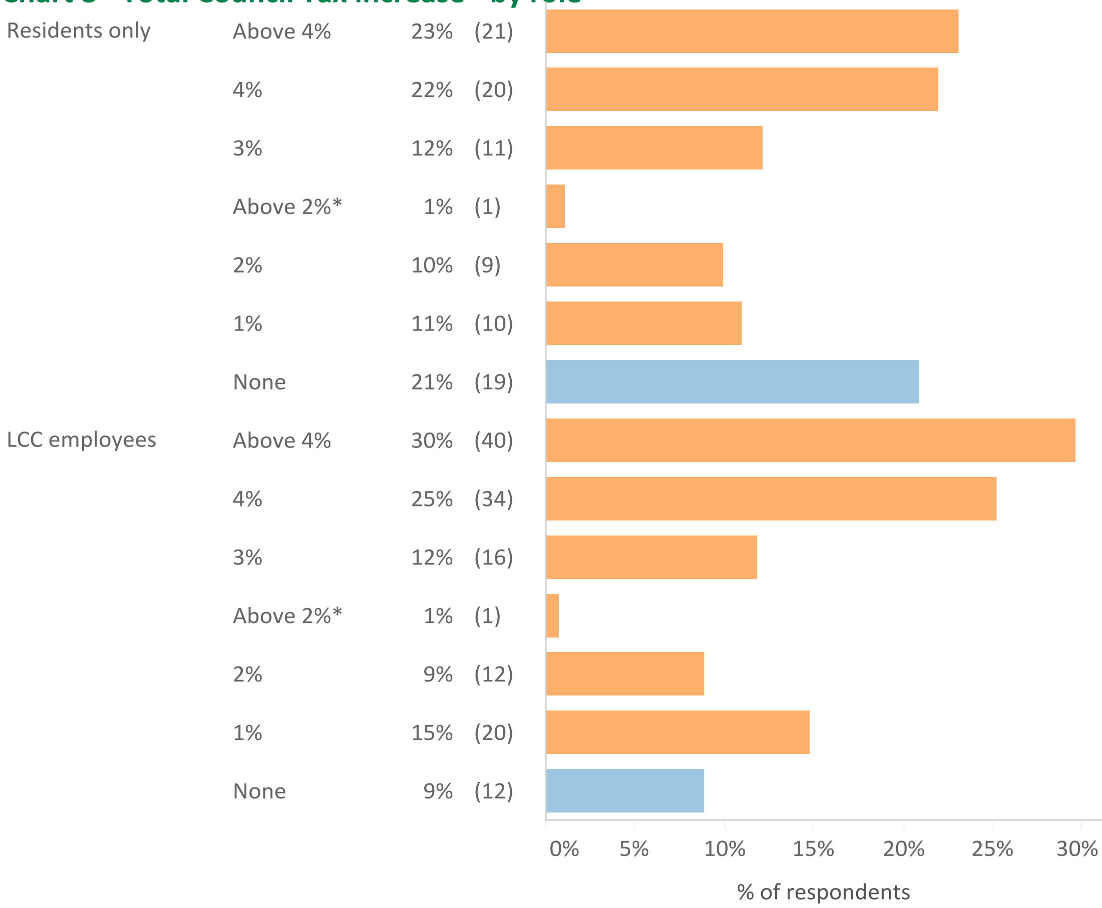
By combining the responses to the questions about Council Tax and social care precept, Chart 7 shows 27% were in favour of an increase in Council Tax (including any social care precept) of above 4%, and 24% were in favour of an increase of 4%. In contrast, 13% said they did not want any increase in Council Tax. There was no statistically significant difference in responses by role (Chart 8).

Chart 7 - Total Council Tax increase



Base = 235
* i.e. above 2% increase selected in response to Q2 but no agreement to Social Care precept (Q3) indicated

Chart 8 - Total Council Tax increase - by role

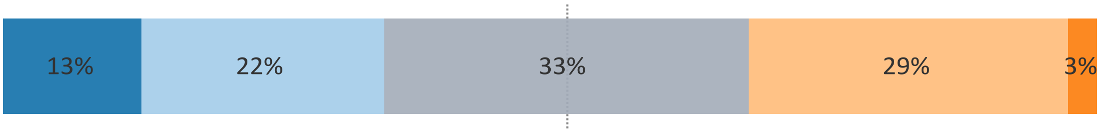


Resident base = 91
LCC employee base = 135

Question 4 - Growth and savings allocation

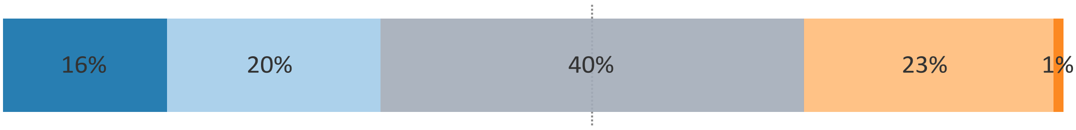
Respondents to the survey were asked whether they agreed or disagreed with how the growth and savings had been allocated across services. Chart 9 shows 35% disagreed, and 32% agreed. A notable proportion of respondents neither agreed nor disagreed (33%). There was no statistically significant difference in responses by role (Charts 10 and 11). Statistical analysis of the results did highlight that respondents who indicated that they had a disability were significantly more likely to disagree with how growth and savings had been allocated across services.

Chart 9 - Growth and savings allocation



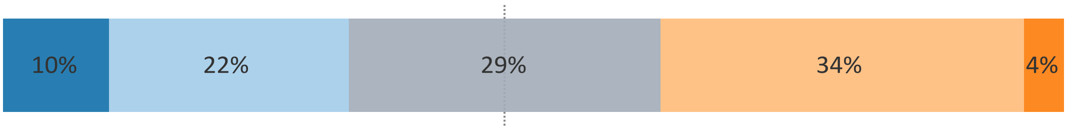
Base = 229

Chart 10 - Growth and savings allocation - residents only



Base = 90

Chart 11 - Growth and savings allocation - LCC employees



Base = 129

Strongly disagree | Disagree | Neither agree nor disagree | Agree | Strongly agree

Open-ended questions

This section of the consultation survey included five open-ended questions. These are listed below:

- Are there any specific service reductions you disagree with?
- Are there any additional service reductions or charges you think we should consider?
- Are there any areas where you think we could make further efficiency savings without impacting on services?
- Do you have any comments about the areas identified for growth?
- Do you have any other comments about our draft budget proposals?

For each question, all comments were read by analysts and a coding frame was devised. The comments were then re-read, and thematically coded using the coding frame.

Q5 - Concerns about specific service reductions

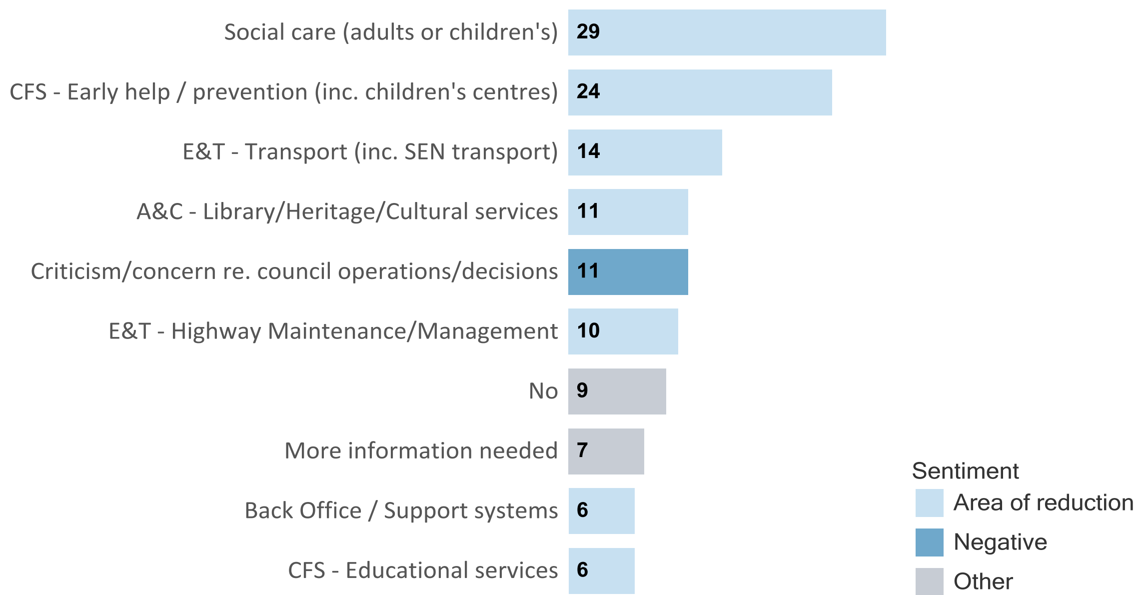
Respondents were asked whether there were any specific service reductions that they disagreed with. Chart 12 lists the top 10 codes (see Appendix 3 for full list of codes).

When identifying service reductions that they disagreed with, a notable proportion of respondents referenced social care (adults or children's), with several making reference to vulnerable people. Early help and/or preventative services represented another common theme amongst responses to this question. Some respondents disagreed with any further reductions in transport (14) with several of these respondents specifically citing Special Educational Needs (SEN) transport. Others (11) disagreed with reductions to library, heritage or cultural services, with all but one of these comments specifically referencing libraries. Several respondents said they disagreed with the reductions to highways maintenance, particularly road repairs.

Respondents made further comments in addition to identifying service reductions that they disagreed with. These included suggestions and negative comments, for example criticism or concern regarding the council’s operations or decisions.

> *“Adult and children's social care is very important to maintain”*
>
> *“I do not agree with any reduction of social care provisions to the most vulnerable adult and children who are the least able to object but need the most support. I do not agree with any suggestions that the care should be transferred to a private company. Standard of care is always diminished in such cases.”*
>
> *“Reductions to Early Help programmes seems self-defeating and could lead to higher costs in the future.*
>
> *“SEN and SC transport. Further reductions will hit many very vulnerable elements of our community.”*
>
> *“Reduction in access to local libraries”*

Chart 12 - Concerns about specific service reductions - Top 10



Base = 132

Q6 - Suggested additional service reductions or charges

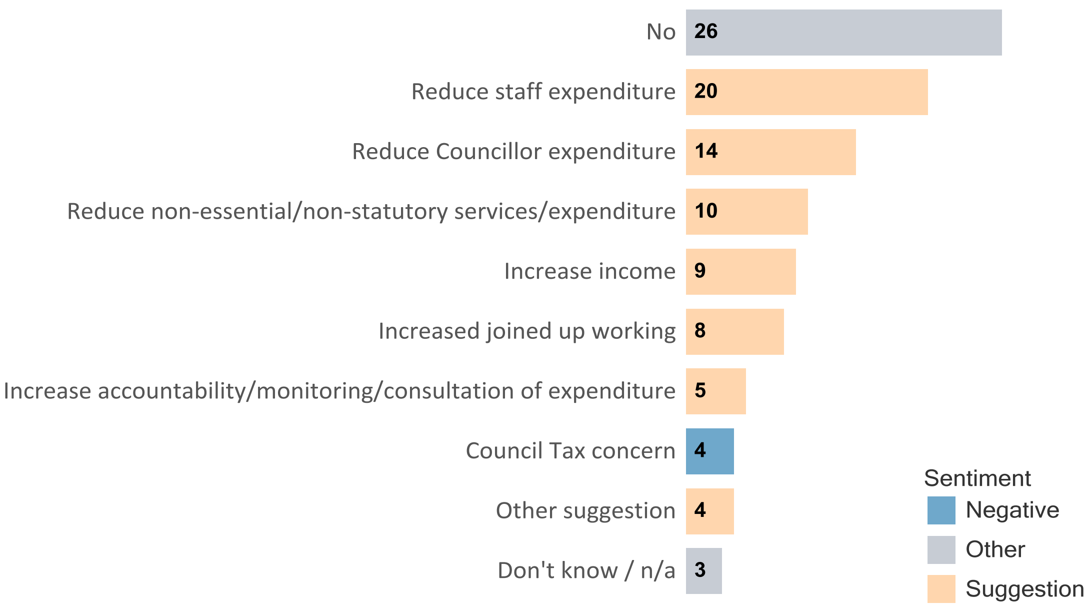
Respondents were asked whether there were any additional service reductions or charges that could be considered by the council. Chart 13 lists the top 10 codes (see Appendix 3 for full list of codes).

Although 26 respondents indicated that there were no areas where they thought further efficiency savings could be made, many respondents did make suggestions. The most frequently referenced theme amongst these suggestions related to staff expenditure, including salaries, hours, management and the use of consultants. Fourteen respondents suggested a reduction in councillor expenditure, ranging from councillors' allowances and expenses to the number of councillors serving at the council.

Other common themes in response to this question include a suggested reduction in non-essential or non-statutory services (such as printed leaflets and magazines) and suggestions to increase income, for example by increasing certain charges and fees. Several respondents suggested an increase in joined up working, including merging services with the city and/or district councils. Some suggestions referenced specific service areas, such as social services or transport.

> *"Reduce use of consultants and contractors by investing more in permanent staff, and being more flexible with staff deployment"*
>
> *"Reduce number of councillors, councillors salaries & bonuses."*
>
> *"Stop sending those magazines to every household. Have a small supply at community venues or make them on requests only rather than putting them through every door."*
>
> *"Look at further selling of services or materials. Consider the use of Highways to bid for external projects."*
>
> *"Smaller services should be considered for joint working with Boroughs/City/other neighbouring Counties. "*

Chart 13 - Suggested additional service reductions or charges - Top 10



Base = 105

Q7 - Areas for further efficiency savings

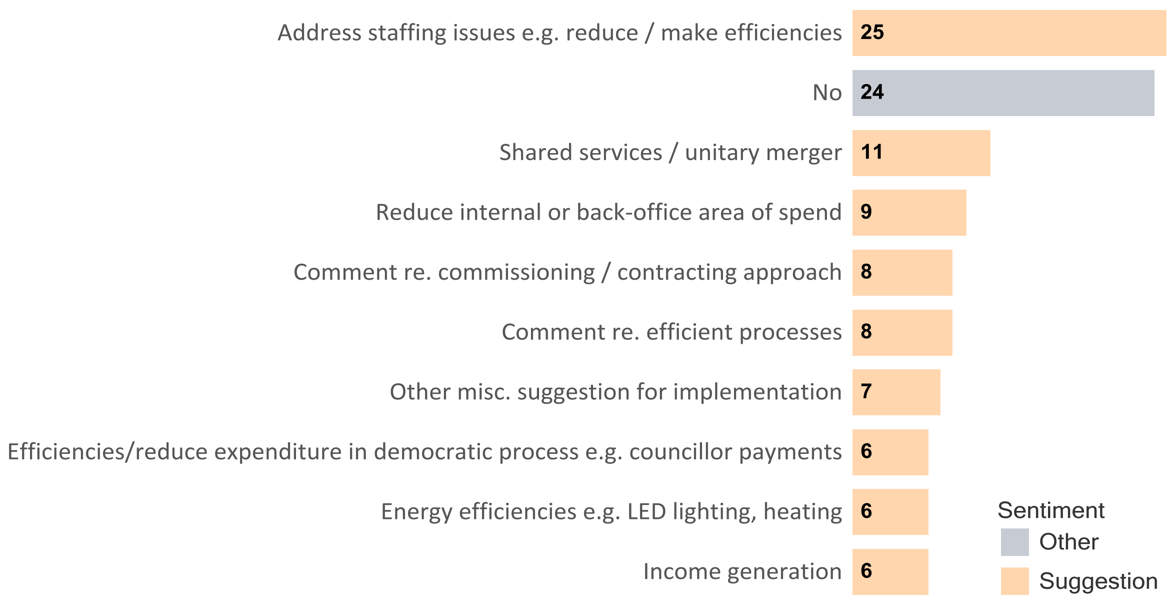
Respondents were asked if they thought there were any other areas where the council could make further efficiency savings without impacting on services. Chart 14 lists the top 10 codes (see Appendix 3 for full list of codes).

The most frequently referenced topic related to staffing. The majority of comments on this theme referenced management efficiencies, particularly reducing the number of management roles. Some comments under this theme also suggested a need to address staff performance, absence and culture.

The second most common theme amongst responses to this question was the view that there were no areas where it was felt efficiency savings could be made (24 respondents). However, there were various other suggested areas for efficiency savings, such as shared services (including a merger with the city and/or district councils), a reduction in 'back office' or internal areas of expenditure, a review of commissioning or contracting approaches and comments indicating the need for efficient processes across a range of service areas. Other miscellaneous suggestions included an increase in efforts for fairer funding, more 'invest to save' projects and the use of volunteers.

> *"...Middle and upper Management layers could be reviewed in council roles and if [bureaucracy] is reduced some of these posts could be taken out without affecting services. This is not reducing front line carers teachers etc but in the supervisor and manager levels above."*
>
> *"Removal of two tier working and working with appropriate partners."*
>
> *"Getting better value for money from outside contract services the council buys in and ensuring this is at a quality that reflects the price."*

Chart 14 - Areas for further efficiency savings - Top 10



Base = 130

Q8 - Areas identified for growth

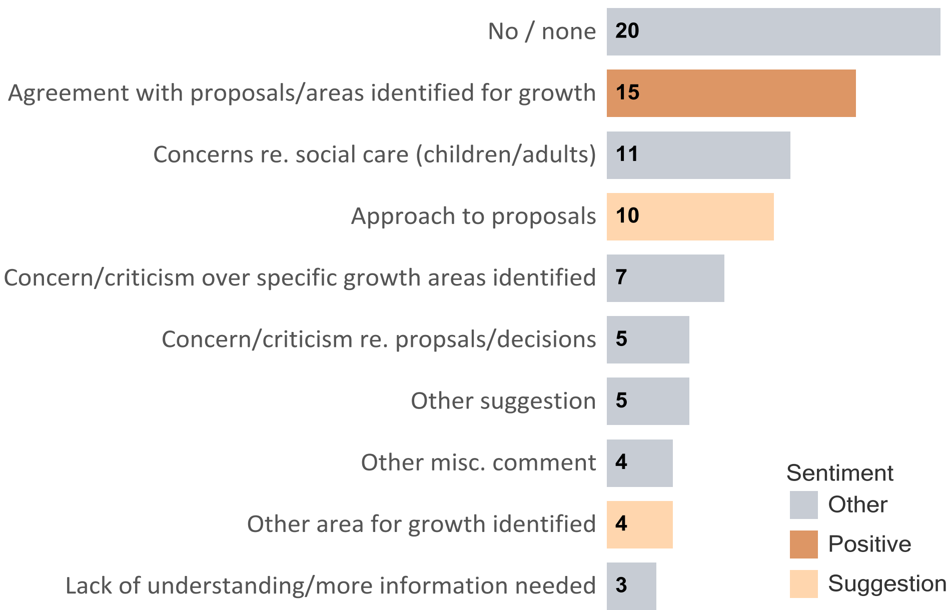
Respondents were asked if they had any comments about the areas identified for growth. The responses for the top 10 codes are shown in Chart 15 (see Appendix 3 for full list of codes).

Although the most recurring response was 'no' or 'none,' the second most common theme reflected overall agreement with the proposals or areas identified for growth. Some respondents, however, highlighted concerns regarding social care and were mainly focussed around the need to prioritise these services. Several respondents (10) also made suggestions about how the proposals should be approached, including the need for sustainable development of proposals and the need for a business or commercial outlook.

Other respondents expressed concern or criticism regarding specific areas, including housebuilding and property investment. Other various suggestions made in response to this question included selling property and using money fairly across services.

> *"They seem reasonable expectations."*
>
> *"Good idea about selling services"*
>
> *"The areas identified are absolutely correct, though I consider the ambitions to be limited and insufficient in scope."*
>
> *"All areas of growth have to identify costs that will be incurred and all business cases need to be evidence based."*
>
> *"More growth needed on children's SEN front line services. All the cuts to [voluntary] sectors is causing hardship."*
>
> *"Selling of more building and only using council buildings (Ie ones that do not have to be paid for)."*

Chart 15 - Areas identified for growth - Top 10



Base = 85

Q9 - Any other comments

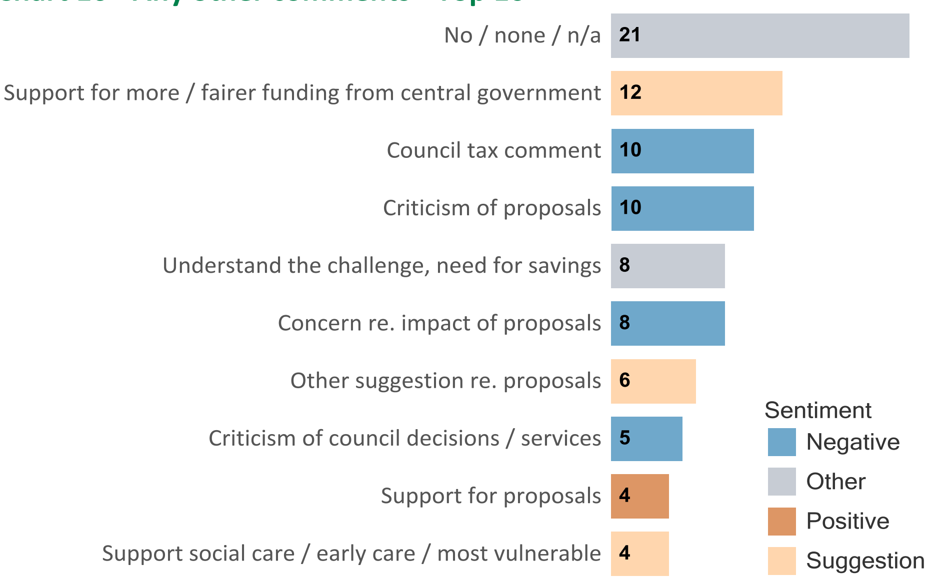
Respondents were asked to provide any other comments they had about the council's draft budget proposals. The Chart 16 shows the top 10 codes (see Appendix 3 for full list of codes).

Apart from 'no,' 'none' or 'n/a' responses, respondents commonly expressed support for more or fairer funding from central government. Responses also reflected some criticism regarding the proposals, including the 'cuts' more generally and concerns regarding further reductions in specific areas. Several respondents also made negative references to Council Tax increases and some expressed concern regarding the impact of the council's proposals. On the other hand, eight respondents expressed an understanding of the challenge facing the council and the need for savings to be made and four respondents indicated support for the proposals.

Five comments reflected criticism of the council's decisions and/or services, including not moving to unitary status. Four respondents highlighted a need to support services related to vulnerable people such as social care.

> *"The Council should join other underfunded local authorities and campaign for better funding from Central Government"*
>
> *"Doesn't really say why growth areas will grow or why cuts have to be made or where - people will want to know how it impacts them personally and their family & friends. There is no detail on this; it is entirely meaningless to comment"*
>
> *"I think that the public will be very unhappy with the high increase of council tax"*
>
> *"There is a worry that some people may experience financial difficulties"*
>
> *"Due to the cuts by the Conservative government you have very little choice other than tight budgeting"*
>
> *"I think they are the best fit with what limited funds you are allowed to accrue."*
>
> *"Adult social care requires more funding. With respect, the provision at present is not always adequate for purpose."*

Chart 16 - Any other comments - Top 10



Base = 94

Fairer Funding

The questionnaire explained that Leicestershire remains the lowest-funded county in the country and that the county council is continuing to lead calls for fair funding. Respondents were asked to what extent they agreed or disagreed that the way funding is distributed between councils should be reviewed. Chart 17 shows that 86% agreed and 7% disagreed. There was no statistically significant difference in responses by role (Charts 18 and 19).

It was also noted during the analysis that caution may be required when interpreting the 'disagree' or 'strongly disagree' responses as nine of the eighteen respondents who selected 'disagree' or 'strongly disagree' provided comments indicating support for a review of the way funding is distributed between councils, suggesting that the response scale for this question may have been misunderstood when completing the online

Chart 17 - Fair Funding

Base = 181

Chart 18 - Fair Funding—residents only

Base = 89

Chart 19 - Fair Funding—LCC employees

Base = 133

Strongly disagree | Disagree | Neither agree nor disagree | Agree | Strongly agree

questionnaire.

Q10 - Open-ended comments

Respondents were asked to provide comments for their answer to the question regarding fairer funding (Q10).

Q10 - Open-ended comments on fair funding

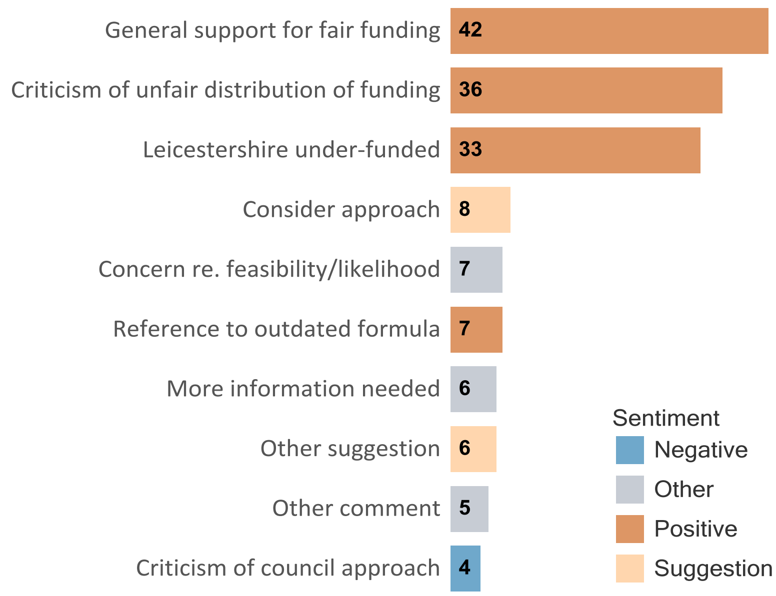
Chart 20 shows the results for the 11 codes assigned to these responses.

In harmony with the responses to the previous question, the comments reflected three main themes in support of fair funding. The most common theme amongst comments reflected general support for fair funding, including a fairer funding formula and fairer distribution of funding. Also in support of fair funding, the second most common theme reflected 36 comments which were specifically related to the unfair distribution of funding, a further seven comments specifically referenced the funding formula as being outdated. The view that Leicestershire specifically is under-funded was expressed by 33 respondents.

Some suggestions and concerns were also highlighted by respondents, including the need to consider the approach towards efforts to secure fair funding, such as the use of comparator authorities. Some respondents also highlighted a concern regarding the feasibility or likelihood of being able to secure fairer funding.

> *"A fairer funding is a clear positive and necessary strategy to ensure longer term and sustainable funding"*
>
> *"National distribution is totally unfair to a number of local authorities and should be challenged vigorously."*
>
> *"Leicestershire has been under-funded for many years and this issue needs to be addressed urgently."*
>
> *"Pay good money if necessary to get the best people to make, and win, the case."*
>
> *"It would, however, strengthen the Council's argument to use a better statistical neighbour than Surrey. One would think Notts, Northants, Staffs etc. are better comparators to use?"*
>
> *"The government see local authorities as wasteful so will continue to cut funding and will never deliver fair funding, it hits the southerners too hard."*

Chart 20 - Comments regarding fair funding (Q10) - Top 10



Base = 136

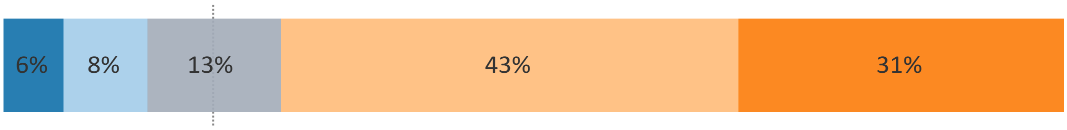
Commercial Activities

Respondents were asked to what extent they agreed or disagreed with the council's plans to further develop commercial activities as a way of generating income for the council. Chart 21 shows that 77% agreed with this approach and 11% disagreed. There was no statistically significant difference in responses by role (Charts 22 and 23).

Chart 21 - Commercial Activities

Base = 181

Chart 22 - Commercial Activities —residents only



Base = 88

Chart 23 - Commercial Activities—LCC employees

Base = 134

Strongly disagree | Disagree | Neither agree nor disagree | Agree | Strongly agree

Q11 - Open-ended comments

Respondents were asked to provide comments for their answer to the question regarding commercial activities (Q11).

Q11 - Open-ended comments on commercial activities

Chart 24 shows the results for the top 10 codes assigned to these responses (see Appendix 3 for full list of codes).

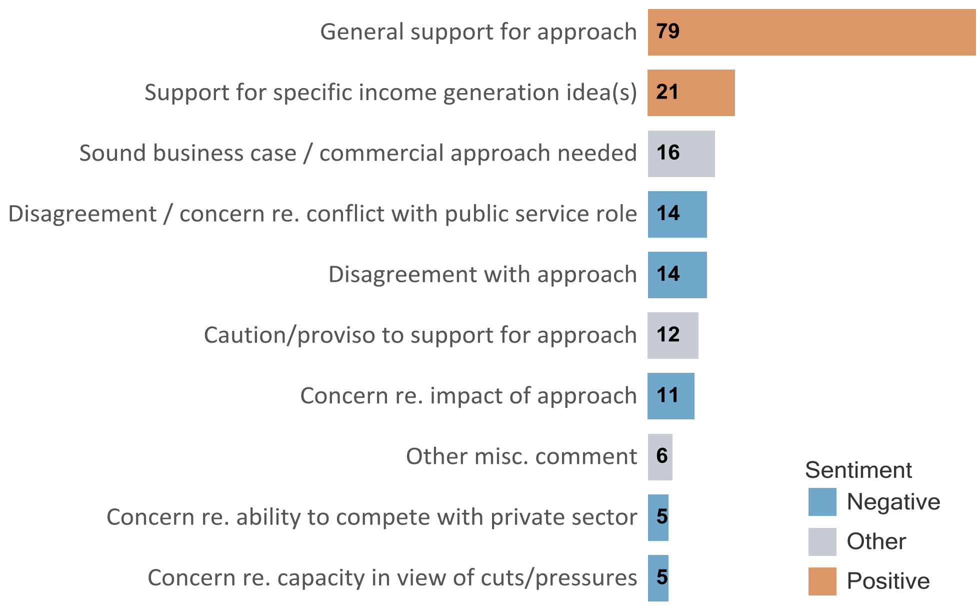
In line with the responses to the previous question, over half of those respondents who provided a comment (79) expressed general support for the approach and 21 comments reflected support for specific income generation ideas, including HR services and catering services at country parks.

Whilst there was support for the proposal, other recurring themes included the need for a sound business case and/or commercial approach and the need for caution or a proviso to supporting the proposal, such as keeping staff in-house.

Some respondents (14) expressed disagreement with the approach, including disagreement with specific areas such as outsourcing. Several comments (14) also expressed disagreement or concern regarding a conflict with the public service role of the council.

> *"Given the low level of Government funding, and relatively high council tax paid by residents, it is sensible for the Council to seek to maximise commercial activities."*
>
> *"Sounds like a good idea."*
>
> *"...Better catering/refreshments facilities at parks has long been desirable and would encourage use of such places of interest..."*
>
> *"Need to make sure that we are actually making money and not just pushing costs around the organisation - and therefore costing more"*
>
> *"I do not think direct services for adult and children should be sold out"*
>
> *"This is not the role of local government."*

Chart 24 - Comments regarding commercial activities (Q11) - Top 10



Base = 145

Other consultation responses

In addition to the survey, separate submissions were received from Blaby Parish Council and the Leicester & Leicestershire Enterprise Partnership (see Appendix 4 for the responses in full).

Blaby Parish Council highlighted the serious nature of the proposals and questioned the presentation of the consultation email. The Parish Council expressed deep concern regarding the proposed level of cuts and highlighted their concerns in four specific areas:

- Adult and Children's services—concern that services are already over-stretched
- Road maintenance—concern in view of the impact of previous cuts
- Waste management and recycling—particularly the impact of reducing recycling credits
- Public health—concern over the impact of austerity on public health and health inequalities.

Concern was also expressed over staff reductions and the impact on vulnerable people. The response concluded with the view that the budget would mean 'more pain for everyone' and expressed recognition of the historic underfunding of the County Council.

The Leicester & Leicestershire Enterprise Partnership (LLEP) expressed support for the proposals and recognised the financial pressure facing the authority. The LLEP commended the savings made since 2010 and highlighted continued support for projects that promote economic growth. The response also recognised the importance of the health and social care sector, supporting the proposals for growth in social care.

Appendix 1 - Questionnaire

Leicestershire County Council

Have your say on our draft budget plans 2018 - 2022

Background

Our financial position remains extremely challenging. By planning ahead, we've saved £178m since 2010 and reduced our budget shortfall. But growing service pressures and uncertainty about national funding mean that demand continues to outstrip income.

Over the next four years, we're planning to save £54m. To try to limit the cuts we have to make to services, we're proposing a Council Tax rise of 4% for two years – this includes 2% for adult social care – and then 2% for the next two years.

Rising demand is placing vastly increased strain our children's and adults social care. Our proposals recognise this and include an extra £40m growth – mainly for these two areas.

We have published our 2018-2022 spending plans for consultation.

If you have any comments about the draft budget proposals, we would like to hear from you. Your views will be taken into consideration when the council finalises its spending plans. We would encourage you to read the budget proposals web page before completing the survey.

The closing date for the consultation is midnight Sunday 21 January 2018.

Please note: Your responses to the main part of the survey (Q1 to Q11, including your comments) may be released to the general public in full under the Freedom of Information Act 2000. Any responses to the questions in the 'About you' section of the questionnaire will be held securely and will not be subject to release under Freedom of Information legislation, nor passed on to any third party.

Your role

Q1 In which role(s) are you responding to this consultation? Please tick all applicable

- ☐ I am a resident
- ☐ I represent/own a local business
- ☐ I represent a voluntary and community services (VCS) organisation
- ☐ I represent another stakeholder e.g. district/borough/parish council, health, police etc.
- ☐ I am an employee of Leicestershire County Council
- ☐ Other

Please specify 'other' below

Our proposals

Council Tax was frozen by the county council in the four years to 2014/15, followed by a 2% increase in 2015/16. For the last two years (2016/17 and 2017/18) there was an increase of 4% (2% of which related to the introduction by the Government of an 'adult social care precept'). The county council is planning to increase Council Tax by 4% next year (2018/19). A decision will be taken each year for any future increases.

The proposed 4% increase would include 2% for the 'social care precept' which the Government introduced in 2016/17 to allow local authorities to raise additional Council Tax to be used exclusively for the funding of services for vulnerable adults. It is proposed that the other 2% is used to help cover the costs of increasing demand and reduce the need to make service reductions in other areas.

The Council Tax bill for county council services in 2017/18 is currently £1,172 per year for a band D property*. An increase of 4% would mean an average increase in Council Tax of £47 per year on that bill (or £3.90 per month).

Every additional 1% increase in Council Tax generates an additional £2.6m of income each year and reduces our total savings requirement. Every additional 1% costs each household in a band D property on average an additional £11.72 per year (or £0.98 per month) on their Council Tax bill.

At the time we put forward our proposals for consultation, Government rules were that a local referendum would need to be held for any increase above 2% (or 4% including the 2% 'social care precept'). Since then, Government has announced councils like Leicestershire County Council can increase Council Tax by 3% (or 5% including the 2% ‘social care precept) before a referendum is required. It is estimated that it would cost £1m to hold a referendum.

*The Valuation Office decides which council tax band a property is in. It is based on what the property's market value was on 1 April 1991. For a band D property this was between £68,001 to £88,000.

The county council is proposing an additional 2% on top of 2% for the 'social care precept' to help cover the costs of increasing demand and reduce the need to make service reductions.

Q2 What Council Tax increase would you be prepared to pay to fund county council services (excluding the 2% for the 'social care precept')?

The figures in brackets show what this increase would be next year for a household in a band D property.

- ◯ None
- ◯ 1% (an additional £11.72)
- ◯ 2% (an additional £23.45).
- ◯ Above 2%

Q3 Do you think the county council should increase Council Tax by a further 2% (the government’s ‘social care precept’) to be used exclusively for the funding of adult social care in Leicestershire? This would cost an additional £23.45 (£1.95 per month) for a band D property.

- ◯ Yes
- ◯ No
- ◯ Don't know

Q4 Overall, to what extent do you agree or disagree with how the growth and savings have been allocated across our services?

Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
◯	◯	◯	◯	◯	◯

Q5 Are there any specific service reductions you disagree with?

Characters left: left

Q6 Are there any additional service reductions or charges you think we should consider?

Characters left: left

Q7 Are there any areas where you think we could make further efficiency savings without impacting on services?

Characters left: left

Q8 Do you have any comments about the areas identified for growth?

Characters left: left

Q9 Do you have any other comments about our draft budget proposals?

Characters left: left

Fairer Funding

Leicestershire remains the lowest-funded county in the country. If it was funded at the same level as Surrey, it would be £104 million per year better off, or £350 million, compared to Camden. Faced with an extremely challenging financial situation, we're continuing to lead calls for fair funding.

Q10 To what extent do you agree or disagree that the way funding is distributed between councils should be reviewed?

Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know
○	○	○	○	○	○

Why do you say this?

Characters remaining: left

Commercial Activities

The county council wishes to further develop commercial activities as a way of generating income for the council. The income would be used to support service delivery. Examples include trading our services (e.g. HR and other back-office functions) to other organisations, improving income from activities such as providing wedding venues, and creating coffee shops/ selling catering services at council-run facilities, such as country parks, and investing in property.

Q11 To what extent do you agree or disagree with this approach?

Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
○	○	○	○	○	○

Why do you say this?

Characters remaining: left

About you

Leicestershire County Council is committed to ensuring that its services, policies and practices are free from discrimination and prejudice and that they meet the needs of all sections of the community.

We would be grateful if you would answer the questions below. You are under no obligation to provide the information requested, but it would help us greatly if you did. Information will be used to inform service development to ensure that what we are providing is fair and effective.

This information will not be disclosed in the event of a Freedom of Information request.

Q12 What is your gender identity?

- ○ Male
- ○ Female
- ○ Other (e.g. pangender, non-binary etc.)

Q13 Is your gender identity the same as the gender you were assigned at birth?

- ○ Yes
- ○ No

Q14 What was your age on your last birthday?

Q15 What is your postcode? This will help us understand views in different areas

Q16 Are you a parent/carer of a child or young person aged 17 or under?

- Yes
- No

Q17 Are you a carer of a person aged 18 or over?

- Yes
- No

A carer is someone of any age who provides unpaid support to family or friends who could not manage without this help

Q18 Do you have any long-standing illness, disability or infirmity?

- Yes
- No

Q19 What is your ethnic group?

- White
- Mixed
- Asian or Asian British
- Black or Black British
- Other ethnic group

Q20 What is your religion or belief?

- No religion
- Christian (all denominations)
- Buddhist
- Hindu
- Jewish
- Muslim
- Sikh
- Any other religion or belief

Q21 Sexual Orientation. Many people face discrimination because of their sexual orientation and for this reason we have decided to ask this monitoring question. You do not have to answer it but we would be grateful if you could tick the box next to the category which describes your sexual orientation:

- ◯ Bisexual
- ◯ Gay
- ◯ Heterosexual / Straight
- ◯ Lesbian
- ◯ Other

Thank you for your time. Your views will be considered before the budget is finalised in February.

Please click the button below to submit your response. Please do not click submit more than once.

Data Protection: Personal data supplied on this form will be held on computer and will be used in accordance with the Data Protection Act 1998. The information you provide will be used for statistical analysis, management, planning and the provision of services by the county council and its partners. Leicestershire County Council will not share any information collected from the 'About you' section of this survey with its partners. The information will be held in accordance with the council's records management and retention policy. Information which is not in the 'About you' section of the questionnaire may be subject to disclosure under the Freedom of Information Act 2000.

Appendix 2 - Respondent profile

Age	198	Survey Responses % Ex NR*	% Inc NR*	2011 Census (16+) %
15-24	4	2.0	1.7	14.3%
25-34	29	14.6	12.3	13.2%
35-44	54	27.3	22.9	17.2%
45-54	67	33.8	28.4	17.8%
55-64	30	15.2	12.7	15.9%
65-74	12	6.1	5.1	11.6%
75-84	2	1.0	0.8	7.2%
No reply	38			

Gender identity*	217	Survey Responses % Ex NR*	% Inc NR*	2011 Census (16+) %
Male	96	44.2	40.7	49.0%
Female	118	54.4	50.0	51.0%
Other (e.g. pangender, nonbinary etc.)	3	1.4	1.3	
No reply	19			

**2011 Census asks for respondent gender*

Do you have a long-standing illness or disability?*	214	Survey Responses % Ex NR*	% Inc NR*	2011 Census (16+) %
Yes	41	19.2	17.4	19.1%
No	173	80.8	73.3	80.9%
No reply	22			

**2011 Census asks if respondents day-to-day activities are limited a lot*

Ethnicity	212	Survey Responses % Ex NR*	% Inc NR*	2011 Census (16+) %
White	195	92.0	82.6	92.2%
Mixed	4	1.9	1.7	0.8%
Asian or Asian British	8	3.8	3.4	6.0%
Black or Black British	2	0.9	0.8	0.6%
Other ethnic group	3	1.4	1.3	0.4%
No reply	24			

Sexual orientation	199	Survey Responses % Ex NR*	% Inc NR*	2011 Census (16+) %
Bisexual	6	3.0	2.5	(Not applicable)
Gay	5	2.5	2.1	
Heterosexual/straight	180	90.5	76.3	
Lesbian	1	0.5	0.4	
Other	7	3.5	3.0	
No reply	37			

*NR = No reply

		Survey Responses		2011 Census (16+)
What is your religion?	206	% Ex NR*	% Inc NR*	%
No religion	78	37.9	33.1	25.3%
Christian (All denominations)	113	54.9	47.9	62.6%
Buddhist	1	0.5	0.4	0.3%
Hindu	1	0.5	0.4	2.8%
Jewish	1	0.5	0.4	0.1%
Muslim	4	1.9	1.7	1.2%
Sikh	1	0.5	0.4	1.2%
Any other religion or belief	7	3.4	3.0	0.4%
No reply	30			6.3%

		Survey Responses		2011 Census (16+)
Are you a parent or carer of a young person aged 17 or under?	216	% Ex NR*	% Inc NR*	%
Yes	92	42.6	39.0	(Census data includes all people cared for regardless of age)
No	124	57.4	52.5	
No reply	20			

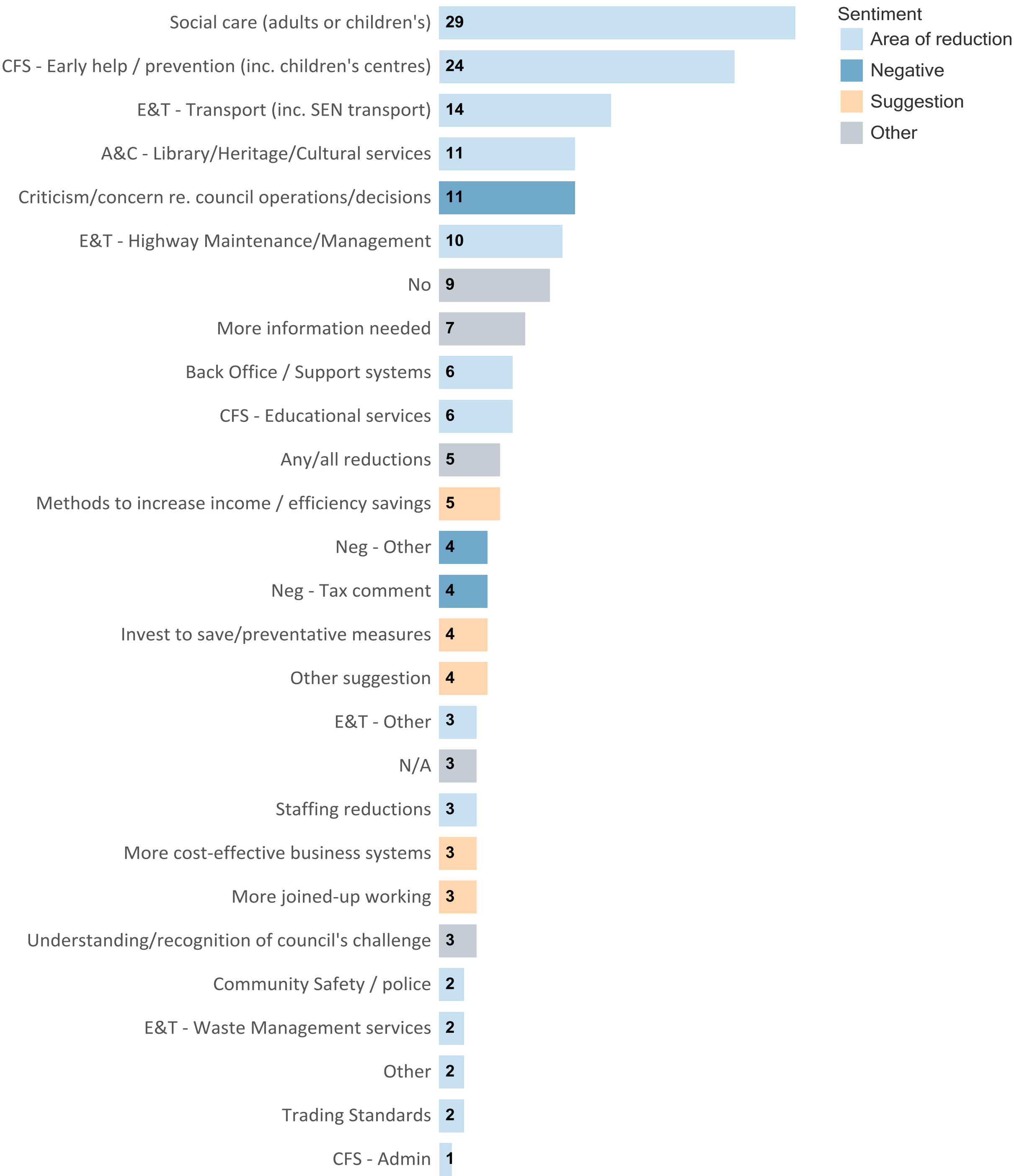
		Survey Responses		2011 Census (16+)
Are you a carer of a person aged 18 or over?	213	% Ex NR*	% Inc NR*	%
Yes	32	15.0	13.6	(Census data includes all people cared for regardless of age)
No	181	85.0	76.7	
No reply	23			

		Survey Responses		2011 Census (16+)
District	119	% Ex M/N#	% Inc M/N#	%
Blaby	27	22.7	11.4	14.3%
Charnwood	30	25.2	12.7	25.9%
Harborough	16	13.4	6.8	12.9%
Hinckley & Bosworth	21	17.6	8.9	16.2%
Melton	5	4.2	2.1	7.7%
North West Leicestershire	15	12.6	6.4	14.2%
Oadby & Wigston	5	4.2	2.1	8.7%
Missing/Invalid Postcode	110			
Leicester	7			

*NR = No reply
M/N = Missing/invalid or Leicester postcode

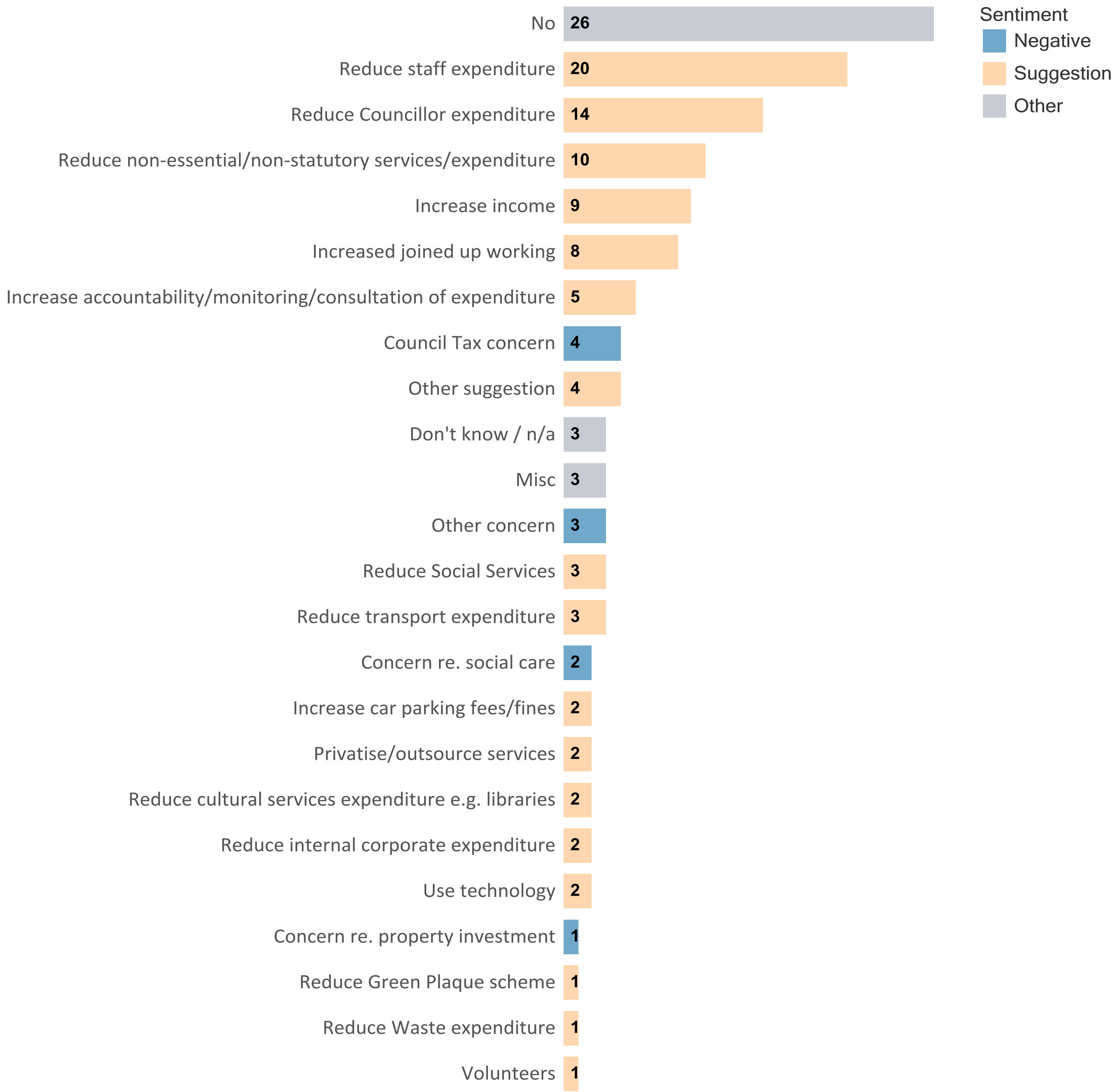
Appendix 3 - All open comment codes

Q5 - Are there any specific service reductions you disagree with?



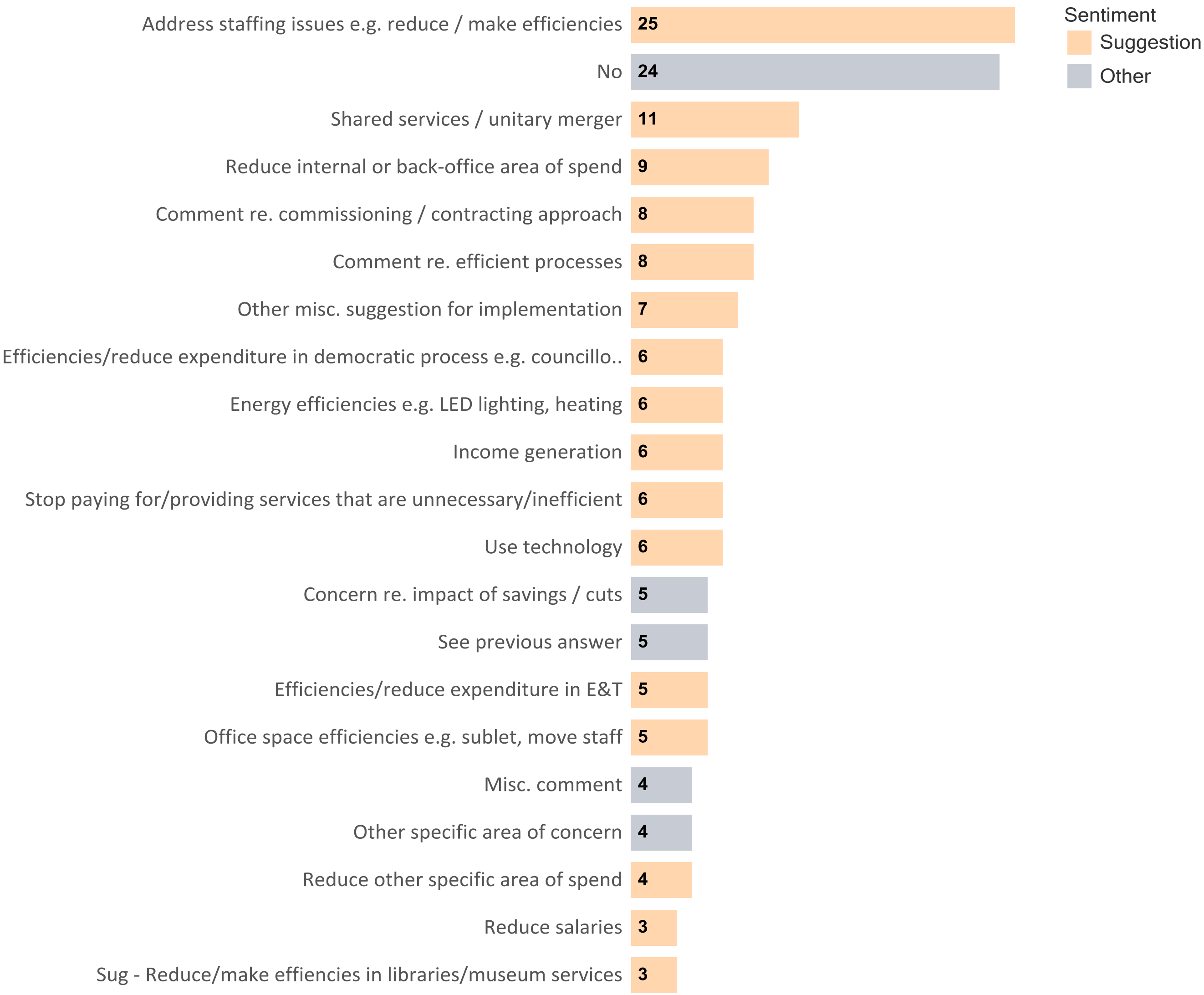
Base = 132

Q6 - Are there any additional service reductions or charges you think we should consider?



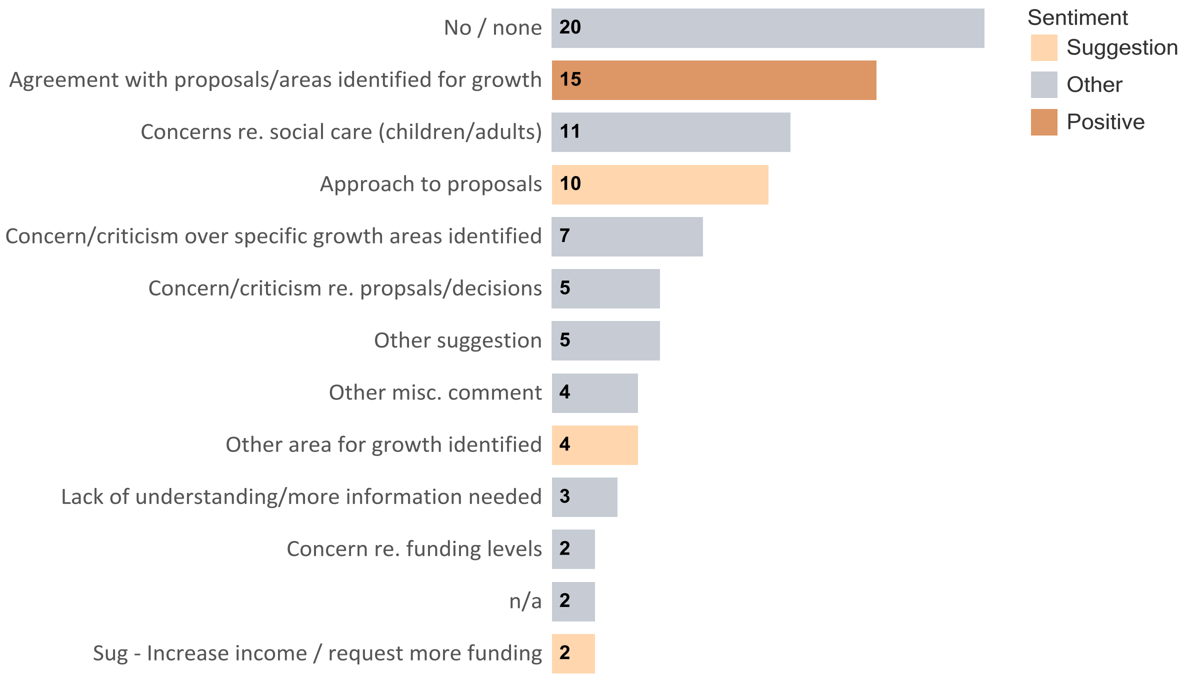
Base = 105

Q7 - Are there any areas where you think we could make further efficiency savings without impacting on services?



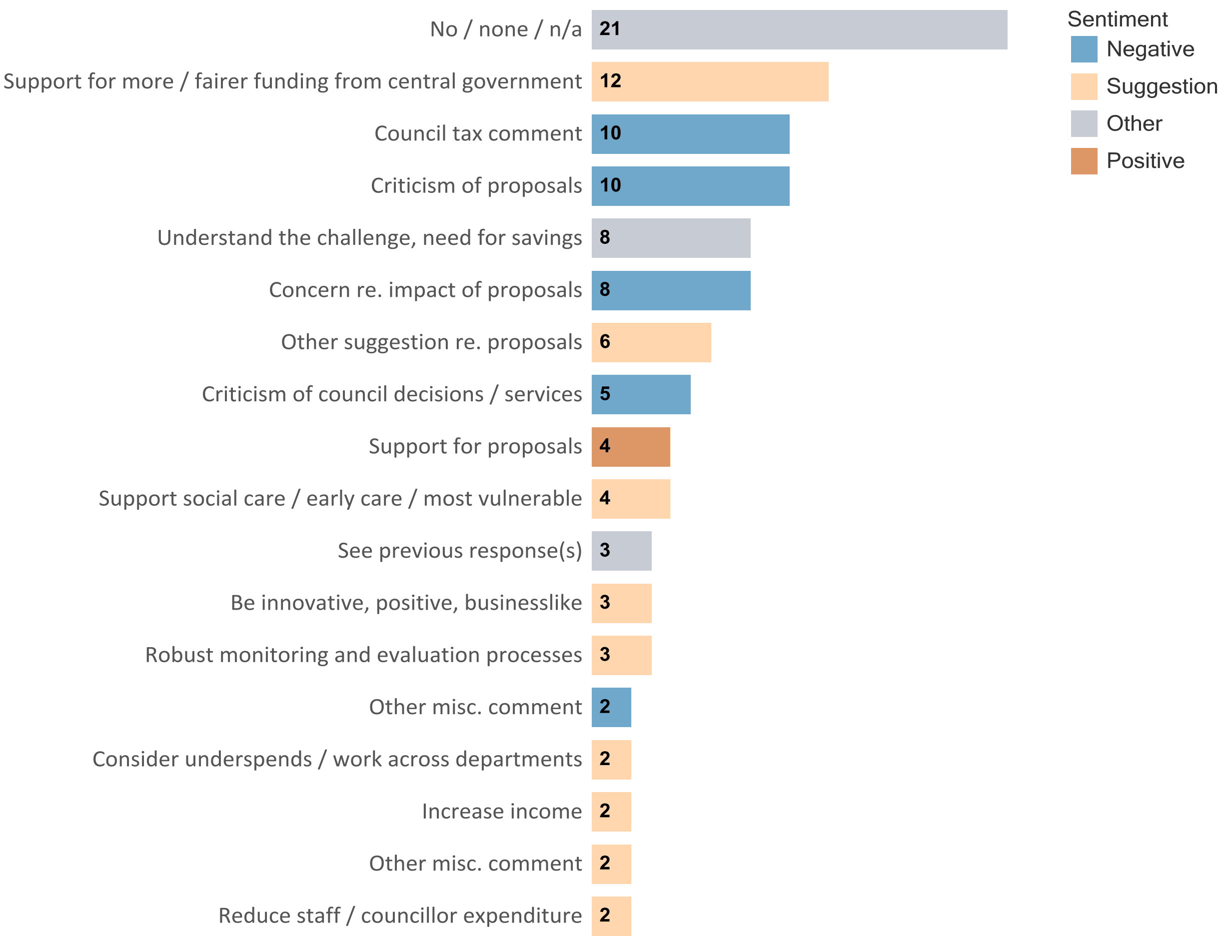
Base = 130

Q8 - Do you have any comments about the areas identified for growth?



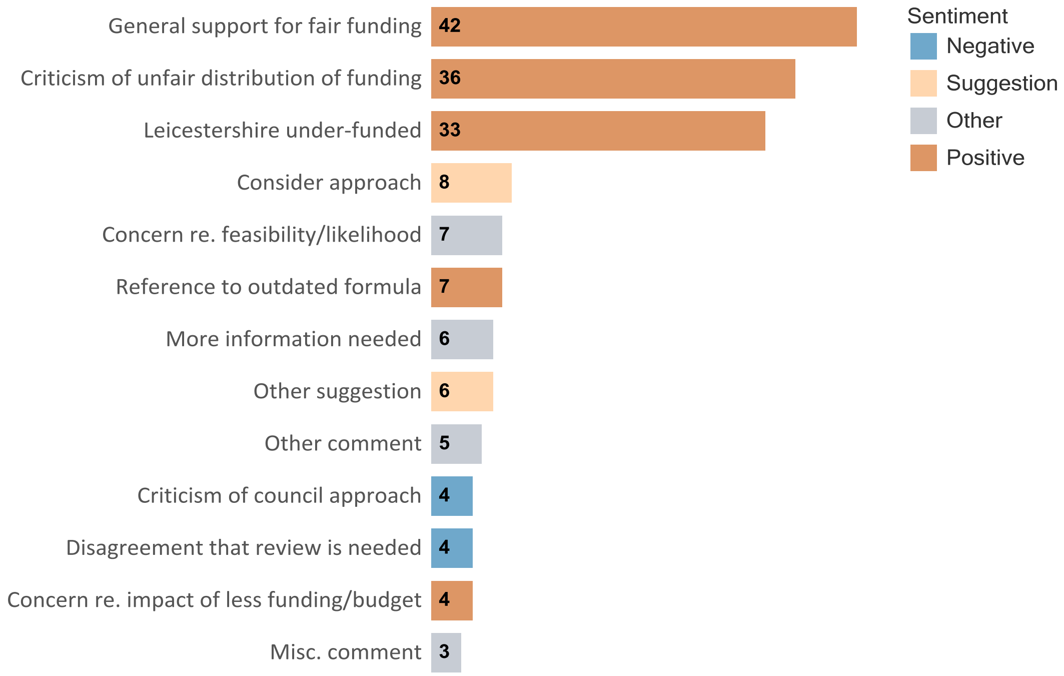
Base = 85

Q9 - Do you have any other comments about our draft budget proposals?



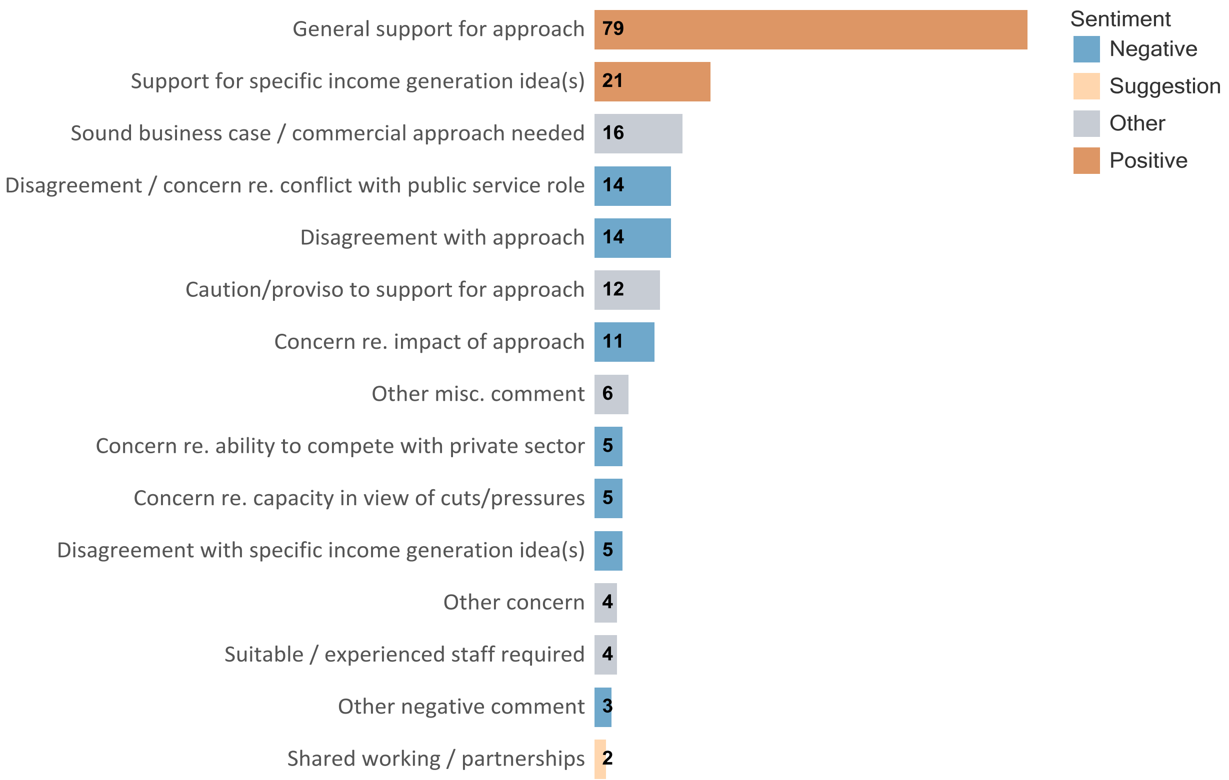
Base = 94

Q10a - Why do you say this (in response to Q10 regarding Fair Funding)



Base = 142

Q11a - Why do you say this (in response to Q11 regarding commercial activities)



Base = 145

Appendix 4 - Stakeholder responses

Serving the community

Blaby Parish Council

Manager: Mrs V Jepson
Blaby Civic Centre, 22-24 Leicester Road, Blaby, Leicester LE8 4GQ
Tel: 0116 2784728, Mobile: 07572 123492
E-mail: manager@blabyparishcouncil.org
www.blabyparishcouncil.org
Follow us on Twitter & Facebook

Leicestershire County Council
County Hall
Glenfield
Leicester
LE3 8RA

16th January 2018

Dear Katie,

Response to Leicestershire County Council
Thank you for the opportunity to respond to your Budget proposals.

Firstly can we respond by saying that a reduction in the County Council budget of £54 million is a very serious matter and the fatuous banner across the top of the consultation email was not in keeping with the serious nature of such a consultation.

The Parish Council are deeply concerned about the levels of cuts proposed for already over stretched County Council services.

Adult and Children's services are already impossibly over stretched and further cuts will only exacerbate an already perilous situation.

The new approach to road maintenance is not clearly spelled out but we have seen the impacts of cuts in previous rounds and further reductions / changes in service delivery can only make a bad situation worse.

The waste management situation, namely reducing recycling credits paid to districts is merely shifting the pain elsewhere and in the case of Blaby District it means their excellent refuse collection service will be severely compromised.

The Council was also concerned over the cut to the Public Health Budget. At a time when austerity is having an adverse effect of public health and health inequalities are rising once more, any cuts to public health budgets are unacceptable.

Finally many of the savings in the budgets are down to service reviews shorthand for more staff reductions, the Parish is concerned that many of those savings are not deliverable if the County Council is to continue to deliver services, in particular, to disadvantaged groups, the children and the elderly.

In short this budget will just mean more pain for everyone, from a County Council which historically has been underfunded.

Yours sincerely

Mrs Vicki Jepson
Manager to Blaby Parish Council

From: Chair (Leicester & Leicestershire Enterprise Partnership) [mailto:LlepChair@llep.org.uk]
Sent: 23 January 2018 09:38
To: Tom Purnell
Cc: Mandip Rai
Subject: RE: Leicestershire County Council Medium Term Financial Strategy

Dear Tom,

RE: Leicestershire County Council MTFS 2018-22

Thank you for inviting the LLEP to respond to the County Council's Medium Term Financial Strategy 2018-22. The County Council is a key partner on the LLEP and we fully support the proposals in the draft strategy.

The LLEP recognise that the authority is the lowest funded county council in the country and facing substantial financial pressures. We commend the £178m savings that the council has made since 2010 and support the planned savings of £54m in 2018-22 period and the proposed Council Tax rise of 4 per cent per year for the next two years.

The LLEP will continue to support council projects that promote economic growth and we fully back the council's proposal to spend £290m on roads, schools, broadband and support for new homes to boost the local economy

As a key partner in the recent Health and Social Care plan we recognise the importance of this sector to the local economy and support the council's proposal to include an extra £40m growth to children's and adults social care services.

Yours sincerely,

Nick

Nick Pulley
Chair
Leicester & Leicestershire Enterprise Partnership (LLEP)
City Hall, 115 Charles Street, Leicester, LE1 1FZ
Chair@llep.org.uk
www.llep.org.uk | twitter: @llepnews
Sign up to the LLEP newsletter here

About the Strategic Business Intelligence Team

The team provides research and insight support to the council, working with both internal departments and partner organisations.

The team provides assistance with:

- Asset Mapping
- Benchmarking
- Business case development
- Community profiling
- Consultation
- Cost benefit analysis
- Journey mapping
- Data management
- Data cleaning/matching
- Data visualisation/ Tableau
- Engagement
- Ethnography
- Factor/cluster analysis
- Focus groups/workshops
- Forecasts/modelling
- Literature reviews
- GIS Mapping/ Mapinfo
- Needs analysis
- Profiling
- Questionnaire design
- Randomised control trials
- Segmentation
- Social Return on Investment/evaluations
- Statistical analysis/SPSS
- Surveys (all formats)/ SNAP
- Voting handsets
- Web analytics
- Web usability testing

Contact

Jo Miller
Strategic Business Intelligence Team Leader

Strategic Business Intelligence
Strategy and Business Intelligence
Leicestershire County Council
County Hall, Glenfield
Leicester LE3 8RA

Tel: 0116 305 7341
Email: jo.miller@leics.gov.uk
Web: www.lsr-online.org

If you require information contained in this leaflet in another version e.g. large print, Braille, tape or alternative language please telephone: 0116 305 6803, Fax: 0116 305 7271 or Minicom: 0116 305 6160.

જો આપ આ માહિતી આપની ભાષામાં સમજવામાં થોડી મદદ ઇચ્છતાં હો તો 0116 305 6803 નંબર પર ફોન કરશો અને અમે આપને મદદ કરવા વ્યવસ્થા કરીશું.

ਜੇਕਰ ਤੁਹਾਨੂੰ ਇਸ ਜਾਣਕਾਰੀ ਨੂੰ ਸਮਝਣ ਵਿਚ ਕੁਝ ਮਦਦ ਚਾਹੀਦੀ ਹੈ ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ 0116 305 6803 ਨੰਬਰ ਤੇ ਫ਼ੋਨ ਕਰੋ ਅਤੇ ਅਸੀਂ ਤੁਹਾਡੀ ਮਦਦ ਲਈ ਕਿਸੇ ਦਾ ਪ੍ਰਬੰਧ ਕਰ ਦਵਾਂਗੇ।

এই তথ্য নিজের ভাষায় বুঝার জন্য আপনার যদি কোন সাহায্যের প্রয়োজন হয়, তবে 0116 305 6803 এই নম্বরে ফোন করলে আমরা উপযুক্ত ব্যক্তির ব্যবস্থা করবো।

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APPENDIX N

Leicestershire County Council

SCRUTINY COMMISSION
24 JANUARY 2018

MEDIUM TERM FINANCIAL STRATEGY 2018/19 – 2021/22

MINUTE EXTRACT

Medium Term Financial Strategy 2018/19 to 2021/22 - Context Setting and Overall Position.

The Director of Finance outlined the context and overall position in respect of the Council's Medium Term Financial Strategy (MTFS) 2018/19 to 2021/22. In doing so, he highlighted the following matters:-

- The Council's financial outlook was challenging. The MTFS included £40 million growth, of which £17 million was for children's social care. There was also a savings requirement of £36 million over the four year period. Approximately £18 million worth of savings had not yet been identified.

- The Capital Programme equated to £290 million over the lifetime of the MTFS and was the largest programme the Council had ever put forward. Despite this, a number of capital development proposals remained unfunded.

- The Local Government Finance Settlement had been disappointing as the Council's bid for the 100% business rates retention pilot had been unsuccessful. This would have resulted in an extra £19 million. The financial pressures facing children's social care had also not been acknowledged in the Settlement. Positive elements of the Settlement included greater flexibility around council tax rates and the adult social care precept.

The Deputy Leader and Cabinet Lead Member for Finance and Resources, Mr J B Rhodes CC, echoed the Director's disappointment regarding the business rates pilot. He reminded the Commission that the Government was currently undertaking a consultation on fair funding for local authorities, and referred to the County Council's own fair funding campaign. The Leicestershire model was widely supported by upper tier authorities and the County Councils' Network, but more work was needed to promote the model to the Government. He also advised members that, through his role on the Local Government Association Resources Board, he was making the case for fair funding.

Arising from discussion, the following points were raised:-

(i) Consideration was currently being given to a number of options in response to the Government announcement that council tax could be raised by a further one percent. The public consultation on the MTFS, which had closed on 21 January, had sought views on the level of council tax. This issue and other adjustments required following the Local Government Finance Settlement would be addressed in the revised MTFS which would be considered by the Cabinet on 9 February. One of the adjustments would reflect a greater than expected increase in the council tax base.

(ii) The MTFS included provision for the Revenue Support Grant to end at the beginning of the 2019/20 financial year and for there to be a reduction in the level of Business Rates Top-Up/Tariff to achieve the Government's target funding level for the Council. It was assumed that this reduction in funding would continue to 2021/22. Members commented on the unfairness of the situation.

(iii) Members agreed that it was important to improve the prosperity of Leicestershire with housing and business development in order to boost the council tax base. It was felt that economic growth was best delivered through local planning and partnerships. However, some caution was expressed with regard to the risk of unrestrained growth.

(iv) It was felt that the West Midlands Combined Authority and elected mayor placed the East Midlands at a disadvantage in terms of attracting economic growth and funding. The Leader of the Council assured members that he had developed good working relationships with other strategic council leaders in the East Midlands and that regular meetings took place. They were aware of the need for the East Midlands to demonstrate strong leadership.

(v) Some reservations were expressed over the Council's ability to support both the fair funding campaign and the proposal to retain 100 percent of business rates. However, it was felt that the current disparity in council funding across England could not be resolved by economic growth alone; it would also require the better off councils to reduce their costs over time so that funding could be redistributed.

(vi) Members welcomed the intention in the MTFS to repay debt and to invest capital in income streams. Total borrowing had reduced by nearly £100m since 2009 and as a result there had been a significant reduction in the revenue cost of serving debt. Some loan terms prevented the Council from the early repayment of debt. Despite the size of the Capital Programme, it would be funded through Government grant, capital receipts and other discretionary funding. It was expected that some of the currently unfunded projects would be funded through underspends, capital receipts and maximising the value of the County Council's assets, for example through applying for planning permission on Council owned properties. Income was also generated through the investment fund.

RESOLVED:

(a) That the information provided be noted;

(b) That the comments of the Commission be forwarded to the Cabinet for consideration at its meeting on 9 February 2018

Medium Term Financial Strategy 2018/19 to 2021/22 - Chief Executive's Department.

The Commission considered a report of the Chief Executive and Director of Corporate Resources concerning the proposed Medium Term Financial Strategy (MTFS) 2018/19–2021/22 as it related to the Chief Executive's Department. A copy of the report, marked "Agenda Item 9", is filed with these minutes.

The Chairman welcomed Mr. N. J. Rushton CC, Leader of the Council, and Mrs P Posnett CC, Cabinet Lead Member for Communities, to the meeting for this item.

In response to questions, members were advised as follows:-

(i) A central contingency was held for pay and price inflation and money was transferred to service budgets once a cost pressure was discovered. The central contingency took account of three percent rate of inflation and a two percent increase pay. It was now expected that pay would increase by 5.4 percent over two years, given the need to make adjustments to pay points at the bottom of the scale to deliver the national living wage. Consideration would be given to how this cost pressure would be met as part of the next iteration of the MTFS, due to be received by the Cabinet at its meeting on 9 February.

(ii) It was confirmed that there was no realistic prospect of requiring funding for the establishment of a Combined Authority during the next financial year.

(iii) The service review for Trading Standards was expected to result in a reduction in the level of proactive inspections, such as food sampling, that were undertaken. Trading Standards would continue to be an intelligence led service and, as such, evidence based investigations into issues like allergens not being correctly labelled would not be affected by the savings requirement.

(iv) The increase in legal caseloads in respect of social care work was a result of a Supreme Court judgement in 2014 which had put in place a requirement for approval from the Court of Protection before adult service users who lacked mental capacity could be deprived of their liberty. It was understood that this was overwhelming the Court of Protection and a national review was being undertaken.

(v) The need to increase the internal legal resource would address quality issues arising from the outsourcing of legal services. In part this related to the fact that, unlike external solicitors, Legal Services had a duty system so any member of the team could provide advice. Legal Services also understood how the Council operated which was not always the case when the work was outsourced.

(vi) The review of Planning, Historic and Natural Environmental Services would not prevent the service from meeting its statutory requirements. Planning fees would increase income by £20,000 to £25,000 and the monitoring of planning permissions generated income. The Historic and Natural Environment Team had service level agreements with district councils and would seek to maximise the income from these. It was possible that the savings target could be met in this way, although staffing reductions were also proposed.

(vii) The relocation of Hinckley Registry Office was being considered to improve the facilities, parking and generate more income. The relocation was not likely to be considered until later in the year as it was currently at an early stage of identifying possible new locations and would be subject to a business case.

RESOLVED:

(a) That the report and information now provided be noted;

(b) That the comments made at this meeting be forwarded to the Cabinet for consideration at its meeting on 9 February 2018

<u>Medium Term Financial Strategy 2018/19 to 2021/22 - Corporate Resources and Corporate Items.</u>

The Commission considered a report of the Director of Corporate Resources concerning the proposed Medium Term Financial Strategy 2018/19 to 2021/22 as it related to the Corporate Resources Department. A copy of the report, marked "Agenda Item 10", is filed with these minutes.

The Chairman welcomed Mr. N. J. Rushton CC, Leader of the Council, and Mr J B Rhodes CC, Deputy Leader and Cabinet Lead Member for Finance and Resources, to the meeting for this item.

In introducing the report, the Director of Corporate Resources reminded members that, since 2010, the Department had achieved £19 million of savings and planned to deliver a further £5 million by 2021/22. This reflected the departmental strategy of focussing on efficiencies rather than service cuts and delivering support services in a different way through transformation. The Department had also developed its commercial activities and was keen to continue work in this area as it was starting to have a positive financial impact.

Arising from discussion the following points were raised:-

(i) Some members queried the budget for marketing and communications, which was over £1 million. However, the Council had a duty to inform people of its activities, which it did through various channels. It also undertook extensive consultation. The Commission was reminded that the communications and media budget had been reduced by 70 percent when services were brought together into a single service. The Cabinet Lead Member felt that this was a good example of spending less but providing a better service.

(ii) The Centre of Excellence was a national service for information sharing which was currently hosted by the County Council. It had a net nil budget implication for the County Council other than generating some rental income. The hosting arrangement would be reviewed in the summer.

(iii) The revenue budget included funding for Trade Unions; this related to four posts for the whole organisation to support staff, for example with HR action plans. It also ensured that, when the Council needed to negotiate with the Trade Unions, the processes were efficient. It was felt that these posts provided value through helping the Council to maintain good relationships with its employees.

(iv) The review of staff absence related to an initiative from the Employment Committee following concerns regarding high levels of sickness absence. The Employment Committee had analysed the reasons for this and the measures put in place and had found that there was a need for first line managers to manage absence effectively. Intensive support from HR to managers was being provided and efficiency saving had been attached to this work as an incentive. A triage service had also been trialled but this had been found to be ineffective and was not being continued.

(v) It was felt that the investment in commercial property assets should largely be focussed on investments in Leicestershire, to support the general prosperity of the County as well as generating income for the Council. It was confirmed that the majority of investment was in Leicestershire although this had to be balanced against security of tenant and maximising the rate of return. The Council's ambition in this area was modest, with an investment fund of £200 million. The only current out of county investment was in Lichfield. Members were also reassured to hear that the Council's role with out of county investments would be as landlord whereas in Leicestershire it had more of a role as a developer.

(vi) With regard to energy and water efficiencies, it was confirmed that the County Council was not encouraging opportunities for wind farms. The principle investment in solar panels was at County Hall, although other opportunities would be considered. The biomass boiler had been installed at County Hall because the availability of subsidies, as well as the environmental benefit, had made this an attractive choice.

(vii) The County Council already provided traded services outside of the county, for example it provided IT support to schools in Stoke. This was an area for further growth and development.

(viii) The Customer Service Centre was seen as a key frontline service. The savings proposed were a modest reduction of four out of 62 posts and some reduction in management. Investment in improved telephony would be made at the same time.

RESOLVED:

(a) That the report and information now provided be noted;

(b) That the comments made be forwarded to the Cabinet for consideration at its meeting on 9 February 2017.

<u>Medium Term Financial Strategy 2018/19 to 2021/22 - Consideration of Responses from Overview and Scrutiny Committees.</u>

The Commission considered a supplementary report setting out the responses to their respective areas of the Medium Term Financial Strategy (MTFS) of the Adults and Communities, Children and Families, Environment and Transport and Health Overview and Scrutiny Committees. A copy of the supplementary report is filed with these minutes.

In response to questions from members, the Leader and Deputy Leader confirmed the following:

(i) The review of passenger transport services had been reinstated into the MTFS, following its withdrawal the previous year, because it was felt that bus services should not be subsidised at unsustainable rates such as £17 per person. All contracts had been extended to end in June 2019 so that a full review could be undertaken. This would consider options such as whether buses were the most sensible way of providing public transport but was not likely to eliminate all subsidised bus routes.

(ii) The countywide parking strategy was still being developed and policy decisions were still to be undertaken. It was therefore not currently possible to provide details of the locations which might be affected. Once the information was available the Environment and Transport Overview and Scrutiny Committee would have the opportunity to discuss the proposal in detail.

RESOLVED:

(a) That the supplementary report be noted;

(b) That the comments made at this meeting be forwarded to the Cabinet for consideration at its meeting on 9 February 2018.

Leicestershire County Council

ADULTS AND COMMUNITIES OVERVIEW AND SCRUTINY COMMITTEE
16 JANUARY 2018

MEDIUM TERM FINANCIAL STRATEGY 2018/19 – 2021/22

MINUTE EXTRACT

Medium Term Financial Strategy 2018/19 - 2021/22

The Committee considered a joint report of the Director of Adults and Communities and Director of Corporate Resources which provided information on the proposed 2018/19 to 2021/22 Medium Term Financial Strategy (MTFS) as it related to the Adults and Communities Department. A copy of the report marked 'Agenda Item '9' is filed with these minutes.

The Chairman welcomed Mr R Blunt CC, Cabinet Lead Member to the meeting for this item.

In introducing the report the Director advised members of the financial challenges facing the Council and the significant demand and cost pressures facing the adult social care services in dealing with an ageing population and an increased number of people with complex disabilities.

In response to questions and comments the Committee was advised as follows:-

Service Transformation

i) The Department had, over the last few years, sought to prevent and delay the need for services by various means aimed at promoting independence. Whilst the Department was spending less directly on primary prevention, the County Council through its early help and prevention scheme, was working closely with local communities to build resilience and provide such support. In addition it should be noted that the Council's public health services were focussed on prevention.

ii) There had been good progress made with integration of services with health. Examples of initiatives included the establishment of locality teams, Home First and joint commissioning and funding of some discrete services. Much remained to be done but it should be noted that the intention was not a structural integration with health services.

Proposed Revenue Budget

iii) The growth projections for 2020/21 and 2021/22 were lower and this was based on the likely level of demand. In forecasting future demand pressures the Department looked closely at population figures and trends in demand. One key area where it was expected demand would be lower was in young people transitioning to adult services as the SEN data showed a lower number projected to come through after 2020.

iv) A sum of £3.5million had been set aside centrally for price inflation and £1.5million for pay.

v) The BCF contribution was shown as a negative figure as this was an income stream into the County Council's budget.

vi) The budgets for the Care Pathway in the East and West Localities included services which were provided on a countywide basis by each of these teams. With regard to the income stream of £704,598 to the West Locality this related to NHS income which had been allocated for certain posts in that team.

Growth

vii) The cost pressures on all service providers arose largely from the increase in the minimum wage but there were also cost pressures in terms of increased insurance costs and costs of equipment and supplies. Cost pressures were a national issue which had been identified by the Competition and Markets Authority which had called for an increase in funding. The Government intended to issue a Green Paper on Social Care funding and reform. If additional resources could not be found, there was a risk of market failure as a number of providers may not be able to continue.

viii) The growth now identified in G10 was to ensure that the 18 fte review officers who were in fixed term or temporary contracts would be made permanent. These review officer posts were critical to the Department delivering the required savings as the majority of savings were contingent on a review of care packages. The Department had a lean management structure and some 25% of management costs had been saved in the last few years. Management costs were under 1% of the overall budget, one of the lowest in the country.

ix) The growth proposals in G11 arose from a workforce analysis undertaken by the Transformation Unit which identified the need for 5 additional staff to work at the Leicester Royal Infirmary to deal with patient discharges

Adult Social Care – Savings

x) The savings proposals in AC3 related to better management of Direct Payments. This area of expenditure was now the second highest with nearly 53% of eligible service users now having a direct payment. Service users were generally using their personal budgets for their assessed needs and no significant issues of fraud had been identified. The key findings of recent reviews undertaken showed that people in receipt of direct payments were able to source services at a lower cost and in some cases had made arrangements which reduced the number of care visits required. Small changes in individual personal budgets had a significant cumulative effect.

xi) The proposals set out in AC13 followed on from similar approaches undertaken elsewhere in the country. The introduction of new equipment and technology had reduced the need for double handed care. Members were assured that before any changes were made an assessment would be made by a specialist Occupational Therapist.

xii) The Department's approach to the delivery of savings was based on a robust business case and delivery plan which took into account the need to deliver the required outcomes for individuals. A new assessment and support planning model had been adopted and the staff were being trained and supported in delivering this. Whilst it was recognised that staff in the Department were caring and professional, and morale was good, it was necessary to ensure that they were helped and supported going forward given the difficult and stressful environment in which they were asked to operate.

<u>Communities and Wellbeing – Transformation Savings</u>

xiii) There were no new savings in this area of service.

xiv) The Care Online service was being decommissioned as it had not proved to be as effective as originally envisaged. The Department would continue to support service users in accessing services on-line and as part of the County Council's Digital Strategy there would also be an initiative to support people to engage online.

xv) The business case for the proposed Collection Hub was being finalised. The intention was to bring collections together in a single, more central location which would ensure that such collections were accessible. Whilst there would be revenue savings and potential for generating income there would be a significant one-off capital cost.

<u>Health and Social Care Integration</u>

xvi) The Better Care Fund (BCF) set out clear guidelines for the allocation of funding for Disabled Facilities Grant (DFG) and funding would be passported in full to District Councils. It was noted that DFG allocations made to District Councils was not fully spent by them and discussions were being held regarding the use of underspends to support other eligible Housing, health and social care developments.

xvii) With regard to delayed discharges, whilst the Council had not met the new DOH target, there would be no reduction in the BCF allocation this year. The recent data on delayed discharges showed that the Council was making progress in reducing delays and as such, it was anticipated that there would be no BCF funding reductions in 2018/19.

Capital Programme

xviii) The Capital programme was noted and members hoped that the necessary resources could be found for developing a Collections Hub.

RESOLVED:

(a) That the report and information now provided be noted;

(b) That the comments now made be forwarded to the Scrutiny Commission for consideration at its meeting on 24 January 2018.

CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE
15 JANUARY 2018

MEDIUM TERM FINANCIAL STRATEGY 2018/19 – 2021/22

MINUTE EXTRACT

Medium Term Financial Strategy 2018/19 - 2021/22

The Committee considered a joint report of the Director of Children and Family Services and the Director of Corporate Resources which provided information on the proposed 2018/19 to 2021/22 Medium Term Financial Strategy (MTFS) as it related to the Children and Family Services Department. A copy of the report marked 'Agenda Item '8' is filed with these minutes.

The Chairman welcomed Mr I D Ould CC, Cabinet Lead Member for Children and Family Services, to the meeting for this item.

The Director of Children and Family Services, in introducing the report, outlined the following drivers which had influenced the proposals for the Department's budget:-

- the overall financial position at the County Council, which required each department to make savings so that the overall budget for the year was balanced;
- significant costs pressures in Children's Social Care and the High Needs Block of the Dedicated Schools Grant, particularly with regard to Special Educational Needs and Disabilities (SEND); and
- the development of a transformation programme to address the cost pressures in the departmental budget.

Mr Ould CC, the Cabinet Lead Member for Children and Family Services, highlighted that the net budget will increase by £12m over the 4 years of the MTFS. He also advised the Committee of concerns regarding school funding. The overall increase in budget here was only guaranteed for 2 years; following this, schools could see a decrease in their budget.

Arising from discussion, the following points were raised:-

Service Transformation

i) Concern was expressed that the proposals to meet the £1.5m MTFS savings in the Early Help Service would result in the closure of 18 Children's Centres and that this would have a negative impact on the services provided. The Committee was reminded that the Cabinet had agreed to consult on the proposals for the Early Help Service; this consultation would start on 22 January 2018 and this Committee would have an opportunity to respond to the consultation at its next meeting. The proposal included merging four separate services into a single 0-19 Family Wellbeing Service. It was intended to retain frontline staff and for the service to go into people's homes where appropriate. This was already common practice in the Supporting Leicestershire Families service, which only had four buildings. The new model would be a 'hub and spoke' model which retained 15 buildings. The use of other community buildings for group work would also be explored.

ii) The risk of clawback from national Government if usage of the buildings is changed within 25 years of the initial award of capital grant from the Department for Education was recognised. However, in practice, where Children's Centres had closed elsewhere in the country, clawback had only occurred in a few cases and the level of clawback was low. It was noted that the proposal was to re-designate the buildings for other Early Years provision, rather than close them, which mitigated the risk of clawback. The 15 buildings that would be retained had been chosen based on a thorough evaluation.

iii) Some Members highlighted the risk of reducing funding to Early Help services, both because of the importance of preventative services in preventing greater levels of need in the future and because partners and community groups might not be able to 'pick up this work'. The Committee was reminded that the principle of the Early Help Review was to protect frontline staff. The consultation process would explore with partners and community groups the impact that the proposals would have on them. A few of the buildings currently used for Children's Centres were owned by the voluntary sector and the impact on them and their income streams would also be considered as part of the consultation.

iv) The Cabinet lead Member for Children and Family Services assured Members that the Cabinet had recommended that, alongside the consultation, a detailed assessment of need would be undertaken. He would also be speaking to partners such as the Police and Crime Commissioner regarding funding and working with MPs to seek a commitment from the Government for a continuation of the funding for the Supporting Leicestershire Families programme beyond March 2020.

Proposed Revenue Budget

v) It was confirmed that the budget transfers and adjustments of £814,000 during 2018/19 referred to contracts linked to the Early Help Review. The transfer of £0.8m from Public Health would be additional to this.

Growth

vi) Concern was expressed that, due to the level of demand, Independent Fostering Agencies (IFAs) were prioritising placements for children with less complex needs. In response to this, the County Council's Care Placement Strategy was seeking to increase the number of in-house foster carers and to provide support so that they could provide more placements for children with complex needs. The Cabinet had recently approved a proposal to consult on changes to the fee structure for foster carers to bring the fees paid by the County Council closer to those paid by IFAs; this consultation was currently ongoing. The revised fee structure had been benchmarked against other fostering agencies and the Council had engaged a consultant who had previously been the Chief Executive of an IFA to support this work. The recruitment campaign focussed on the support and training provided for in-house foster carers, which was well received. Demographic information and an understanding of particular areas where the numbers of Looked after Children (LAC) were high were used to target the recruitment campaign. Members of the Committee were encouraged to look at the new fostering webpages on the County Council website. The work being undertaken to improve the recruitment of in-house foster careers was welcomed.

vii) The increase in projected numbers of social care payments did not correlate with the level of growth proposed in the MTFS. It was confirmed that this was because the forecasts also took into account the type of placement that would be provided. The assumption was that the new placements would be more cost effective than existing ones.

viii) The Social Care Agency Premia, intended to make Leicestershire County Council an employer of choice, support retention and reduce reliance on agency workers, was welcomed by Members.

<u>Savings</u>

ix) The development of wrap around therapeutic support services for LAC was welcomed, particularly as it would focus on rehabilitating young people currently living in residential care into family settings or independent provision.

x) The new Departmental Operating Model was intended to restructure senior management and to consider how the service was provided in order to identify efficiencies and savings. However, there was a £290,000 shortfall because it had not been possible to achieve the level of savings that had originally been envisaged.

xi) The slower rate of academy conversion was partly because the county already had a large number of academies and also the withdrawal of the Government's White Paper proposing that all schools should become academies had removed the impetus to convert. It was still predicted that a number of schools would convert to academy status during 2018/19.

<u>Schools Block</u>

xii) Each school had seen the impact that the new schools funding formula would have, based on draft data. This data was currently being updated using the information from the October 2016 census of schools. It would be provided to schools during the first week of March.

xiii) It was noted that some primary schools at the bottom end of the scale for funding could see inflationary pressures which were greater than the increase in funding. Work was being undertaken with individual schools to help them prepare for this. Schools with falling numbers of pupils could also be adversely impacted by the new formula.

xiv) The High Needs Inclusion Project was developing a financial strategy which would reduce the overspend in the High Needs Block and develop a manageable, sustainable, budget for this area. This would be a challenge for the County Council as the number of young people needing support was increasing. A range of issues was being considered, such as ways of reducing high spend in the independent sector and supporting children with special educational needs and disabilities in mainstream schools. It was noted that the County Council had a statutory responsibility to fund these services and would have to do so from its own budget if the overspend and sustainability of the High Needs Block was not addressed.

Specific Grants

xv) Some of the grants for Children and Family Services were adequate to support provision; where this was not the case, the County Council focussed on discharging its statutory responsibilities. Where the Council had discretion, it aimed to achieve the best outcomes within the resources available.

xvi) It was noted that the grant for supporting Unaccompanied Asylum Seeking Children only covered 50% of the County Council’s costs. The County Council’s position was, therefore, that it would meet its statutory responsibilities but that it would not enter into voluntary schemes.

Capital Programme

xvii) It was confirmed that, where the Capital programme related to Church of England Schools, the Diocesan Board of Education would be consulted on any proposals.

xviii) The Capital Grant for SEND initiatives had been confirmed but the County Council was required to submit a sending plan before the level of funding was allocated. This would form part of the SEND Strategy and this Committee would, therefore, have the opportunity to consider it as part of the consultation on the Strategy.

xix) It was confirmed that the S106 contributions related to the number of school places required, whether the school was an academy or a maintained school. It was noted that studio schools counted towards the number of secondary school places that an area required, regardless of whether the studio school was a popular choice. The Cabinet Lead Member reminded the Committee that district level briefings on school places were provided for members during the summer.

It was moved by Mr Welsh CC and seconded by Mr Bill CC:

“That this Committee expresses to the Cabinet its grave concern that the risks associated with the proposed reduction in Early Help, including the closure of so many Children’s Centres, are excessive and will potentially lead to more children going in to Local Authority care”.

The Motion was put and not carried, with 3 members voting for the amendment and 6 members voting against.

Mr. D. C. Bill CC, Mr. G. Welsh CC and Mr. S. D. Sheahan CC asked for it to be placed on record that they voted for the Motion.

RESOLVED

a) That the report and information now provided be noted;

b) That the comments of the Committee be forwarded to the Scrutiny Commission for consideration at its meeting on 24 January 2018; and

c) That, where the Capital programme related to the Church of England schools, the Diocesan Board of Education would be consulted on any proposals.

Leicestershire County Council

ENVIRONMENT AND TRANSPORT OVERVIEW AND SCRUTINY COMMITTEE 18 JANUARY 2018

MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2021/22

MINUTE EXTRACT

The Committee considered a joint report of the Director of Environment and Transport and Director of Corporate Resources which provided information on the proposed 2018/19 to 2021/22 Medium Term Financial Strategy (MTFS) as it related to the Environment and Transport Department. A copy of the report marked 'Agenda Item '8' is filed with these minutes.

The Chairman welcomed Mr. B. L. Pain CC, Cabinet Lead Member for Highways, Strategic Transport and Waste, Mr Rhodes CC, the Cabinet Lead Member for Resources and Mrs Radford CC, the Cabinet Support Member to the meeting for this item. Mr Rhodes and Mrs Radford were attending in place of Mrs Posnett CC who unfortunately was unable to attend.

In introducing the report the Director and Cabinet Lead Members advised members of the financial challenges facing the Council and the significant change that had taken place across the Department to enable it to achieve total savings of £43million since 2010/11. The report now outlined how the Department intended to meet the additional required savings of £7.1million by 2022.

Members of the Committee noted the significant savings achieved to date and commended the Director and her team. Members however noted that the savings going forward would be more challenging and now includes reconsideration of savings proposals previously not taken forward as they were deemed difficult.

In response to questions and comments the Committee was advised as follows:-

Proposed Revenue Budget and Budget Transfers and Service Transformation

i) The Department would continue to explore opportunities for generating income but there were some legal limitations regarding local authority operations on how far this could be pursued.

Growth

G16 – SEN Transport

ii) This growth was essentially to meet the increasingly complex needs now being presented by some service users.

G18 – Recycling and Reuse Credits

iii) Currently all District Councils received recycling and reuse credits. From the start of the new financial year four of the seven district councils would no longer receive these credits and the remaining three would stop receiving credits when their current contractual agreements came to an end during the year.

G19 – Waste Tonnage Increase

iv) No growth had been included for 2018/19 given the low level of increase in waste tonnage experienced in the current year. However, growth of 1% per year was assumed for subsequent years.

Savings – Highways and Transport

ET1 – Street Lighting

v) The work of the Department to implement LED street lighting was commended as both a welcome cost saving and as a contribution to environmental improvement.

ET4 – Revised Passenger Transport

vi) This saving was taken out at the budget meeting in 2017/18 when the Council was advised that further work would be undertaken into the cost effectiveness of the Council's policy on Subsidised Transport. It was therefore shown as a new saving.

vii) The review of the existing policy would seek to define clearly what was meant by 'essential need' and how the Council would ensure value for money. The Cabinet on 9th March would be asked to give approval to consultation on a revised strategy.

ET5 – Social Care and SEN Transport

viii) The proposed saving was in part contingent upon the Cabinet considering the outcome of the consultation recently undertaken and determining whether it wished to proceed. The proposed savings were at the mid-point range of the options consulted upon so the Cabinet would have discretion and be able to reflect the consultation responses in any final decision.

ET 6 – Review of staff absence

ix) The Department had already put in significant measures to reduce both long and short term sickness and the savings now proposed were in addition to that work. Each Department would have a target to reduce sickness absence.

ET 10 – Countywide Parking Strategy

x) It was not possible to provide a list of streets where on-street parking charges would be introduced. The full business case was still being developed and, if thought deliverable, would be brought to the Cabinet for approval to consult. If, following consultation, the Cabinet determined that it wished to progress with on-street parking charges, a draft implementation plan would be drawn up at which point individual streets would be identified. The draft implementation plan would be subject to consultation.

xi) In developing the plan and strategy consideration would also be given to how on-street parking charges would operate in residents only parking areas.

(Mr. D. C. Bill CC and Mr. G. A. Boulter CC each requested that it be recorded that they opposed the removal/reduction of Council subsidised bus services, (ET4), the reduction in social care and SEN transport (ET 5) and introduction of on-street parking charges (ET 10)'

Savings – Environment and Waste

ET13 – Recycling and Household Waste Sites

xii) Studies in other parts of the country had not shown a direct correlation between charging for some types of non-household waste and an increase in fly tipping. This appeared to be borne out by the work recently undertaken with Hinckley and Bosworth Borough Council on the issue of fly tipping. A significant proportion of material found was not construction and demolition waste and included waste which residents were able to dispose of free of charge. The position regarding fly tipping was being monitored by the County, City and District Councils.

xiii) It was noted that there were suggestions that the Government might introduce regulations preventing Councils charging for construction and demolition waste. The County Council has contributed to the discussions on this matter and would welcome the publication of the Government's Waste and Resources Strategy later in 2018 to enable longer term planning of waste disposal and treatment.

ET19 – Future Residual Waste

xiv) The agreement with Coventry and Solihull Waste Disposal Partnership would result in reduced gate fees. The County Council would have limited liability in the event of any losses by the Partnership.

Savings under Development

Paragraph 21 (i) - Future Residual Waste Strategy

xv) The recent announcement by China relating to plastics and paper and announcements by various companies to reduce the use of plastics would be considered in developing the future strategy.

xvi) The contractor who would be dealing with the Council’s recyclables had advised that none of their plastic or paper waste currently goes to China so there would not be an immediate impact. Work was also underway with collection authorities to reduce contamination in the waste stream. However it was likely that costs of disposals would increase in the coming years.

Paragraph 21 (i) RHWS Future Service Offer

xvii) The comments made by a number of members against a further reduction in the number of household waste sites were noted.

Other Funding Sources

xviii) There was a high degree of confidence that the external sources of income which amounted to approximately 40% of the budget could be achieved.

Capital Programme

xix) The LTP grants set out in the first two rows of Table 4 were indicative allocations which had yet to be confirmed by the Department for Transport.

xx) The LTP Maintenance Incentive Grant (Row 3 of Table 4) was dependent on the Council achieving Level 3. The Council was confident of achieving this level. The financial implications of not achieving Level 3 were set out in Table 5.

xxi) The Capital Programme showed a lower level of resources available in the latter two years but it was likely that there would be opportunities to bid for funding from the sources listed in paragraph 34 as well as any new Government funding scheme.

xxii) The Melton Mowbray Distributor Road was not included in the current capital programme as the funding had yet to be agreed. It was hoped that a decision would be made by the summer.

xxiii) The Council had made representations to the Government regarding the retention of income from speed cameras and was awaiting a response. Members were assured that the installation of cameras was to improve and deal with community safety concerns and the fines received covered the operational costs.

xxiv) The £12.8m Capital Substitution referred to the use of capital resources to support maintenance schemes which would have been met from the revenue budget.

RESOLVED:

(c) That the report and information now provided be noted;

(d) That the comments now made be forwarded to the Scrutiny Commission for consideration at its meeting on 24 January 2018.

Leicestershire County Council

HEALTH OVERVIEW AND SCRUTINY COMMITTEE
22 JANUARY 2018

MEDIUM TERM FINANCIAL STRATEGY 2018/19 – 2021/22

MINUTE EXTRACT

Medium Term Financial Strategy 2018/19 - 2021/22

The Committee considered a joint report of the Director of Public Health and the Director of Corporate Resources which provided information on the proposed 2018/19 to 2021/22 Medium Term Financial Strategy (MTFS) as it related to the Public Health Department. A copy of the report marked 'Agenda Item '8' is filed with these minutes.

The Chairman welcomed Mrs P Posnett CC, Interim Cabinet Lead Member Health, Public Health and Sport, to the meeting for this item.

In introducing the report, the Director and Cabinet Lead Member reminded the Committee that Public Health was financed through a ring-fenced grant from the Department of Health. This grant decreased in real cash terms by between two and two and a half percent each year until March 2020. It was currently expected that, after March 2020, Public Health would be financed through the 75 percent business rate retention scheme. The Public Health Department aimed to achieve the necessary savings through building on its track record of reconfiguring services to provide at least the same level of service for less money.

Arising from discussion, the following points were raised:-

Service Transformation

i) The Committee welcomed the savings that the Department had made through service design, but sought assurance that the level of service was not being affected. The Committee was advised that this was achieved through robust contract management; services were reviewed against their activity levels and evidence of the effectiveness of the interventions. These reviews were then used to hold providers to account where they were not delivering the expected level of service. In addition, some efficiency savings had resulted in service improvement, such as providing a digital offer for the smoking cessation service, or through joint commissioning which improved alignment with partners.

Growth

ii) It was noted that increased testing was expected as a result of the new Pre Exposure Prophylaxis (PrEP) treatment for HIV risk groups and that growth in the budget had been provided accordingly. If the level of growth was insufficient, this would result in a cost pressure across the sexual health service and would require savings to be found from elsewhere within the service or Departmental budget. As sexual health was an open-access service, it could be more difficult to manage demand.

Savings

iii) It was noted that the balance of the savings target, after the Early Help and Prevention Review, would largely be met from reductions in the contracts for Homelessness Prevention and Short Term Refuge Accommodation. It was acknowledged that the savings equated to approximately a third of the value of these contracts. Achieving the level of savings required was likely to be challenging, although strengthening the links with mental health and substance misuse services could result in efficiencies. Other areas, such as weight management, were also being investigated for savings.

iv) It was noted that a national consultation on funding for supported accommodation services, including homelessness and short term refuges, was currently being undertaken by the Government. The proposal in the consultation was for Upper Tier Authorities to fund these services through a ring-fenced grant. The outcome of the consultation was expected to influence any proposals for savings in this area.

v) It was noted that treatment services were the largest area of spend for the Public Health Department and it was therefore important for these services to be effective. The Committee was advised that the recommissioning of the Smoking Cessation Service was a good example of this as it had resulted in a significant decrease in the budget and an increase in activity. With regard to substance misuse, the Committee was advised that service redesign had improved alignment and joint working with other services, especially as it was now jointly commissioned with Leicester City Council and the Office of the Police and Crime Commissioner. It was acknowledged that the service faced ongoing challenges, such as the increase in the use of novel psychoactive substances. The Department was developing its approach to Prevention Strategies and was starting to see improvements in multi-agency preventative working, particularly for lifestyle behaviours.

vi) The savings under development for the 0-19 Health Visiting and School Nursing Service were still at a very early stage. Comparisons with how the services was provided in other local authority areas were currently being made and consideration was being given to how the Public Health Department could work more closely with Children and Family Services. Detailed proposals would be brought to this Committee for comment in due course.

Other Funding Sources

vii) The funding from University Hospitals of Leicester (UHL) supported a Medical Consultant in Public Health to work with UHL on the development of strategies and providing analysis of relevant evidence bases. Negotiations for funding for 2018/19 were ongoing and had so far been positive.

RESOLVED:

(e) That the report and information now provided be noted;

(f) That the comments now made be forwarded to the Scrutiny Commission for consideration at its meeting on 24 January 2018.

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