CABINET - 24 MAY 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PROVISIONAL REVENUE AND CAPITAL OUTTURN 2023/24

PART A

Purpose of the Report

1. The purpose of this report is to set out the provisional revenue and capital outturn for 2023/24.

Recommendations

2. It is recommended that:

   (a) The 2023/24 provisional revenue and capital outturn be noted;

   (b) The prudential indicators for 2023/24 as shown in Appendix E to this report be noted;

   (c) The transfers to earmarked reserves, as set out in paragraphs 65 and 66, are approved.

Reasons for Recommendations

3. To inform the Cabinet of the provisional revenue and capital outturn for 2023/24 and seek agreement to the transfers to earmarked reserves to fund future commitments.

Timetable for Decisions (including Scrutiny)

4. A report on the provisional revenue and capital outturn will be considered by the Scrutiny Commission on 10 June 2024.

Policy Framework and Previous Decisions

5. The County Council approved the 2023/24 to 2026/27 Medium Term Financial Strategy (MTFS) in February 2023. The key aim of the Strategy is to ensure that the Authority has appropriate resources in place to fund key service demands over the next few years. The Strategy includes the establishment of earmarked reserves and the allocation of ongoing revenue budget and capital resources for key priorities.

6. The 2023-27 capital programme was reviewed over the summer of 2023 and an updated programme was approved by the Cabinet on 15 September 2023.

Resource Implications

Revenue Outturn

7. A summary of the revenue outturn for 2023/24, excluding schools grant, is set out below:

	£000
Updated budget	512,152
Provisional outturn	524,405
Net overspend	12,253
Less additional income	-12,253
Net Position	0

8. Overall the revenue budget shows a balanced position. Details of the variances on Departments and central items are included in the report and in Appendix A and Appendix B.

9. The General Fund Reserve stands at £21m as at 31st March 2024, which represents 3.7% of the 2024/25 revenue budget (excluding schools' delegated budgets), in line with the County Council's reserves policy and the MTFS approved in February 2024. It is planned to increase the General Fund to £24m by the end of 2027/28 to reflect increasing uncertainty and risks over the medium term and to avoid a reduction in the percentage of the net budget covered given the overall budget increase.

Capital Outturn

10. A summary of the capital outturn for 2023/24, excluding schools devolved formula capital, is set out below:

	£000
Updated budget	139,305
Less provisional outturn	107,386
Net Variance	-31,919

11. Overall, there has been a net rephasing of expenditure of £31.9m compared with the updated budget. This funding will be carried forward to 2024/25 to fund schemes that were not completed in 2023/24.

12. Details of the variances and key projects delivered in 2023/24 are included in the report, and in Appendix D.

Circulation under the Local Issues Alert Procedure

13. None.

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PART B

Overall Position - Revenue

14. Appendix A shows the provisional outturn position for 2023/24. This compares the actual net expenditure incurred with the updated budget. The original budget has been updated for transfers between services and from central contingencies.

15. Appendix B gives details of significant variances by departmental revenue budgets for 2023/24.

Children and Family Services – Schools Budget

16. There is a net overspend of £1.9m on the Dedicated Schools Grant (DSG). This comprises an overspend of £5.6m on the High Needs Block, offset by an underspend of £2.2m on the Early Years Block, and an underspend of £1.6m on the Schools block.

17. The High Needs Block shows an overspend of a net £5.6m in 2023/24 compared to the budgeted overspend of £13m. This represents a significantly overall reduced overspend position on the High Needs Block in comparison to previous in-year projections, and this is linked to the Transforming SEND in Leicestershire (TSIL) programme focusing significantly on ensuring that all data within the Special Educational Needs and Disabilities (SEND) system is robust to enable effective management of the SEN system. This has focused upon both data on individual pupils and how that data translates into robust financial data through the introduction of effective financial processes. Resolving data quality and establishing more robust data transfer of pupil data from Special Educational Needs Assessment (SENA) to the finance system has identified an over provision of financial commitments. Some of this improvement is one-off as it relates to past accruals which are no longer required. An action plan is under development to address the identified issues.

18. Nationally, concern over the impact of SEND reform on High Needs expenditure, and the financial difficulties this exposes local authorities to, is growing. Whilst the Government's Green Paper is set to result in systemic changes to the national SEND system, such changes may take a number of years to deliver and none appear to address the funding issues.

19. Leicestershire is actively engaged within the Department of Education's (DfE) Delivering Better Value (DBV) in SEND programme as a result of the DSG deficit. Leicestershire has received £1m in grant funding from the DfE to support the transformation of the SEND system. The TSIL programme has moved to an implementation and sustainability phase and improvements created during the design stage are being rolled out; this programme and the DBV programme are closely aligned. Discussions have taken place with the DfE regarding the strategic partner and funding. Whilst the cost of the strategic partner cannot be charged to DSG the investment in TSIL is recognised as a key step in reducing the DSG deficit and as such would be taken into consideration if there was a

call on the County Council to contribute to the deficit reduction, as has been the case for authorities with even more serious deficits.

20. Without new interventions the High Needs block deficit is forecast to continue to increase over the MTFS period and is not financially sustainable, despite the improved position in 2023/24. This creates a significant and unresolved financial risk to the Council. Work is underway to reassess the financial impact on the budget over the coming months and target savings from the TSIL programme are £32m by 2028/29. At the end of 2023/24 the accumulated High Needs deficit was £41m.

21. The Early Years budget is showing an underspend of £2.2m. The budget is based on the number of hours used to calculate the original 2023/24 Early Years DSG income in December 2022. The 2023/24 Early Years DSG income was increased in July 2023 by £1.8m to allow for the Spring Term 2023 census. This includes a prior year adjustment of £0.6m relating to 2022/23. The hours paid to providers for 2023/24 are £0.9m more than the budget, reflecting estimated Spring 2024 payments to providers. There is also an underspend of £0.9m as part of the payback of previous years' Early Years deficits, and centrally managed budgets underspent by £0.4m. The updated deficit on this block as at 31 March 2024 was £3.1m. The plan is to clear this deficit over 4 years. The DfE will recalculate the 2023-24 Early Years DSG income in 2024-25, based on the Spring 2024 census data. This is estimated to be an increase in grant of £0.3m.

22. There is an underspend of £1.6m on the Schools Block from schools' growth, which will be retained for meeting the costs of commissioning school places in future years. As at 31 March 2024 the balance on the DSG reserve (excluding High Needs), stands at £9.2m consisting of £12.3m Schools Block from school's growth, for meeting the costs of commissioning school places in future years, less £3.1m accumulated deficit on the Early Years Block.

Children and Family Services – Local Authority Budget (Other)

23. The Local Authority budget is overspent by a net £11.9m (11.1%), mainly relating to overspends on the children's social care placements budget (£6.2m), unaccompanied asylum seeking children's budget (£3.7m), SEN service budget (£0.9m), education psychology service (£0.3m), disabled children services budget (£0.9m) offset by some of the outputs of departmental financial controls currently in place (£0.1m).

24. The outturn shows a reduced (£0.6m) overall overspend in comparison to the last departmental financial position reported. The primary reason for this is linked to outcome of the age assessments for the unaccompanied asylum seeking children's (UASC) cohort resulting in financial responsibility sitting with the Home Office, whereas previously, given the level of uncertainty, this had been assumed to be with the Council. Similarly, within the children's social care budget, the outcome of agreed funding contributions from partners was more positive and higher than previously projected. Combined with the added level of manager oversight and scrutiny of spend across services, supported by recently introduced and mandated corporate financial controls, this has positively contributed to a reduced overspend position versus that previously reported. However,

the pressures in Children's social care remain significant and is a key focus of the Council's transformation programme.

25. The overspend position on the Children's Social Care Placement budget (£6.2m) is largely due to increased unit costs of placements. For example, the average weekly cost per residential placement having increased from £4,800 per week (budgeted average cost included in the MTFS) to the current average of £5,800 per week which equates to a 20% increase in the last 12-18 months. The increase is partly related to the cohort of children (those with the most appropriate fit for residential care) but the main contributing factor is market pressures. A lack of provider capacity and volatility in the market, as well as increasing complexity and/or different cohort of children and young people needing placements, has significantly increased the cost of new placements compared to those placements ending.

26. Market instability and provider choice is resulting in children with a range of complex needs being 'unattractive' to the market. Needs include violence, aggression as a result of experiencing trauma, and results in the use of high cost (£10,000+ per week per child) interim provisions until behaviour stabilises or another placement can be found. Other sufficiency issues impacting on budget pressure include a lack of step-down options from residential provision (circa.10 children who have been waiting long periods for family-based placements), with continued searches and work with providers to try to identify suitable provision. This is not helped with a low recruitment pipeline for mainstream carers, nationally, which particularly impacts on availability of placements for older children and those with more complex needs.

27. As part of the direct actions being taken to mitigate against these financial pressures, the Defining Children and Family Services for the Future programme has several workstreams to enable MTFS benefits to be achieved alongside the Social Care Investment Programme (SCIP) working in partnership with Barnardo's. This will have a positive impact through the creation of additional residential provision capacity for under 16's, over 16's and parent and children places. The Council has been successful in obtaining additional capital grant funding (match funded by the Council) to enable investment in a number of properties, creating provision for 20 plus placements over the lifetime of the current MTFS, of which two units are currently up and running with children placed, and several other units to become operational very soon.

28. The £3.7m overspend position in relation to the UASC budget is largely due to the rapid increase in UASC in care and care leavers, which has required a greater resource requirement to meet their needs. The different entry routes include both the National Transfer Scheme (NTS), as well as spontaneous arrivals. More recently there have been more UASC coming through the hotel dispersal scheme where requests to accommodate people placed in Asylum Dispersal Hotels in Leicestershire are made. Whilst they have been deemed adults by the Home Office, they subsequently claim to be children which creates an additional pressure for the service to manage which is not fully funded. In addition, delays in asylum claim processes mean that the Council is often accommodating young people well past the age of 18. Home Office funding drops

significantly at the age of 18, but the costs do not. The table below shows the increase in numbers of UASC over the last two years.

	UASC - In Care (under 18's)	Annual % Increase	UASC – Care Leaver (Over 18's)	Annual % Increase
March 22	60		69	
March 23	97	62%	112	62%
March 24	115	19%	170	52%

29. The increase in UASC under 18's represents an increase of 92% since March 2022 and continues the upward trend experienced in 2021/22, an increase due to the NTS becoming mandatory and two dispersal hotels opening in Leicestershire. The increase in UASC over 18's represents a 146% increase since March 2022, and this is linked to the increasing number of care leavers, for whom a reduced funding rate is received in comparison to the costs being incurred.

30. The SENA service budget is overspent by £0.9m in 2023/24. During the previous financial year increased service demand and complexity resulted in the need for additional service resources to ensure demand can be managed in the most efficient and effective manner, with this position continuing into 2023/24. A heavy reliance on agency workers to undertake Education, Health and Care Plan (EHCP) writing and tribunal work has resulted in an overspend in this area. Meanwhile mediation costs remain high adding to the overall in-year budget pressure.

31. The Disabled Children Service is also reporting a overspend position of £0.9m due to increased demand, linked to respite support at home for children with acute challenging behaviour. This continues to present increased financial pressures where support is needed for children who are high needs and on the edge of care, but nonetheless would still be less costly than if the child entered care and subsequent placement provision needing to be sought.

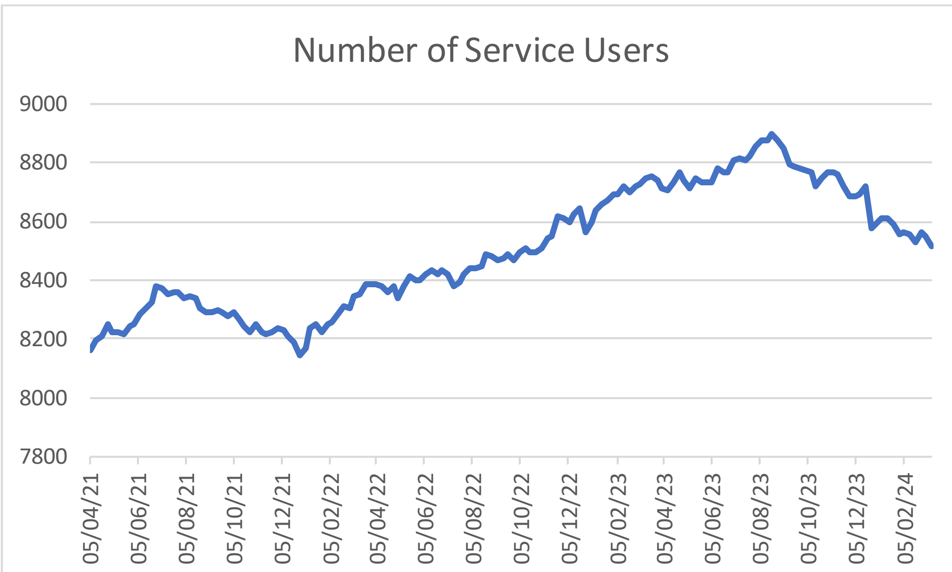
32. As a direct response to the projected in-year overspends as described above the departmental management team has led a review of non-statutory services, supported with the recent introduction of corporate led financial controls. Together with robust management and review of vacancies within the department this work has delivered one-off in-year efficiencies and budget opportunities (£0.1m). Further work is being undertaken to explore the feasibility of this work and its scope to deliver on-going future budget efficiencies.

Adults and Communities

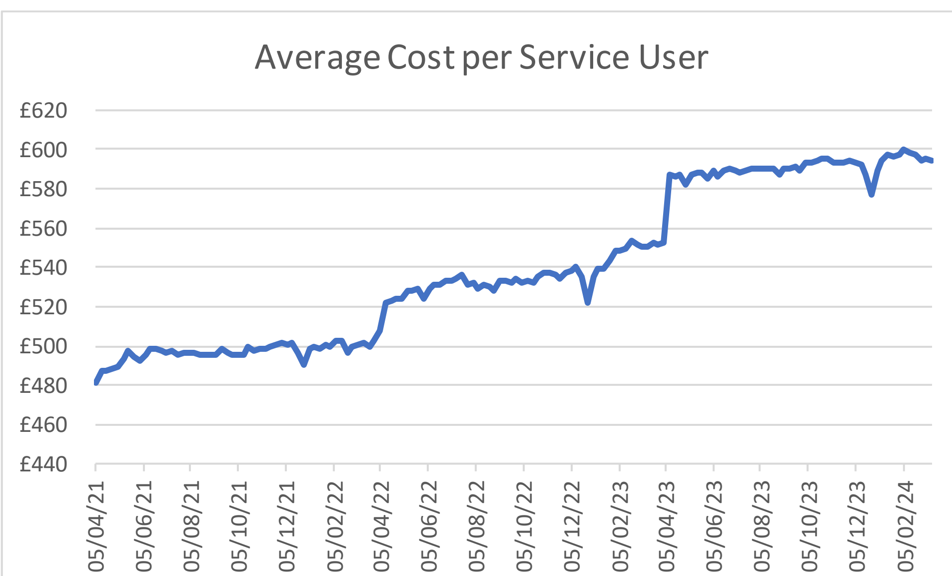
33. There is a net overspend for the departmental revenue budget for 2023/24 of £2.6m (1.2%). This is an improved position from earlier forecasts, which is due to a combination of factors, including extensive actions to reduce demand on the service, corporate spend controls and a reduction in service user numbers in the second half of the year.

Overall Trends

34. The chart below shows overall number of service users being supported across Residential Care, Homecare, Supported Living, Cash Payments, and Community Life Choices from April 2021 through to March 2024. Typical growth would be approximately 1% to 1.5% per annum. However, current numbers of service users supported have now decreased to an annualised rate of 1.6% per annum from higher levels of 2.2% observed earlier in the year. The reduction in numbers that can be seen from October 2023 marks the beginning of corrective action being taken by the department via the Fair Outcomes Panel which started around September 2023.



35. The average cost per service user rose over the same time period. The steep rise from April 2023 relates to the annual fee review uplift.



36. Note the average cost per service user was not static and rose over the course of 2022/23, mainly driven by higher cost packages within Residential care from market pressures to secure a placement and increasing hours being commissioned within Homecare from increasing numbers of discharges from hospital.

37. The overspend has declined over the course of the year due to several factors:

- The Fair Outcomes Panel, which was established in September 2023, reviewed cases brought before it and sought cheaper and more effective ways to meet service user need.
- Concurrently the Homecare Assessment and Reablement Team service was more efficiently able to take more community homecare referrals from the Fair Outcomes Panel but also directly from the Care Pathway, which meant lower long term homecare packages were being commissioned. This in turn reduced the Homecare overspend.
- Service user numbers decreased within Direct Payments as more service users opted for a managed service as opposed to receiving a Direct Payment.
- Residential income increased as backdated financial assessments were being undertaken but also revised third party agreements were being returned following the fee uplift that took place in October 2023 resulting in additional backdated income. Non-Residential income increased due to backdated financial assessments being undertaken.

38. The main areas of variance are:

<u>Homecare - £7.5m overspend</u>

39. There has been an average of 2,660 service users for the year which is 5% higher than the budgeted number of 2,540. Current average package costs (or hours) are 5% higher than budgeted (excluding the fee uplift of 8.4%) at £328 per service user per week compared to the budgeted value of £313. The increase is from delaying admission into residential care and increased provision within the service user’s own home, and lower numbers of service users opting to take a direct cash payment. There is Adult Social Care Discharge Grant of £1.0m and £0.1m other health funds offsetting this expenditure.

<u>Supported Living - £5.5m overspend</u>

40. There was an increase of 28 service users over the course of the financial year from 472 to 500. The majority of the increase in service users are from those either transitioning from Children's Social Care, living at home with their parents, or moving from a hospital setting into Supported Living. They represent new growth in numbers rather than a movement of existing service users from Residential Care, which was the primary driver under the Target Operating Model Programme. The Dynamic Purchasing System used by supported living commissioners is increasing the supply of additional Supported Living schemes, facilitating the increase in the number of placements that can be made. Average placement costs have risen since April 2023 and currently stand at £1,570 per week per service user (+8%). There has also been an increase in community income to

offset these additional costs. The department is looking into ways to reduce demand for new and existing one to one support within Supported Living via the review process. Also, initial work has started reviewing how specialist and complex care is procured.

Residential Care - £2.1m overspend

41. The overspend is mainly due to increases in the average weekly cost per residential placement over and above the planned inflationary increases to the banded rates. This is a continuation of the pressure experienced in 2022/23 which led to an overspend. There are an average 2,405 service users with an average weekly rate of £1,039.

42. The main driver of the increases is where the Council has agreed funding above the banded rates to ensure that the service is provided with a suitable care placement, known as Local Authority Agreed Funding (LAAF). The forecast cost of LAAFs in 2023/24 (based on current volumes and values of LAAFs) is £14.6m. This compares to the 2022/23 cost of £12.6m, and 2021/22 of £10.0m. The 2023/24 forecast is a 46% increase on the 2021/22 costs. This is a combination of both an increase in the volume and value of LAAFs. The volume of LAAFs has increased from 742 service users per week in 2021/22 to 946 in 2023/24. The value of LAAFs has increased from an average of £258 per service user per week in 2021/22 to £296 in 2023/24. The increase in LAAFs (both volume and value) is predominantly in the older adults area.

43. The position includes an increase in the residential banded rate and the implementation of a nursing rate in October 2023 of £2.1m funded through the Market Sustainability and Improvement Fund (part 1) grant.

44. This overspend is offset by additional service user income of £6.2m which is mainly due to backdated arrears from working through a backlog of financial assessments.

45. The department has also allocated the second tranche of the Market Sustainability and Improvement Fund (MSIF 2 - £3.7m) to fund this overspend and other areas, identified on a separate income line below.

Better Care Fund / Other NHS Income - £2.2m net loss of income

46. A total of £6m income was budgeted for from the NHS for additional costs relating to Covid-19 mainly due to hospital discharges. There is a £4.5m shortfall in this income for 2023/24. due to changes in the way hospital discharges are undertaken and funded. However, the overall position is offset by additional Better Care Fund income and new Discharge Grant of £2.4m.

Community Income - £5.4m additional income

47. The majority of the variance is due to health income from Supported Living service user packages which are generating an extra £3.7m. Of this, £2.0m relates to increased Supported Living packages, £0.7m due to increased funding for Direct Payments clients and £0.8m relates to home care packages, mostly due to temporary health condition

funding continuing at late 2022/23 levels. Non-Residential service user income has overachieved the budget of £18.1m by £1.8m, due to increasing chargeable service users, as more service users are receiving a non-residential service such as homecare.

Other additional income £3.7m

48. There are allocations of the Market Sustainability and Improvement Fund (MSIF 2) - £3.7m which has been allocated to offset the current additional costs particularly in residential care, increased residential and nursing fees as part of the Market Sustainability Plan, supporting staffing and reducing waiting times for care.

Direct Payments - £1.0m underspend

49. There is an underspend due to a reduction in service user numbers and additional funding from the MSIF (1) grant allocated to fund higher personal assistant rates, introduced in August 2023.

50. The net overspends above are offset by a net £4.7m underspend, mainly from staffing vacancies and other minor variations.

51. The department has established a wide-ranging demand management programme and the fair outcomes panel to review care packages. The panel has reviewed 4,250 care packages since September 2023 and has been successful in better managing service user's needs and avoiding significant increase in the cost of packages. A robust demand management plan will continue during 2024/25 which will focus on managing demand particularly for homecare. In particular to:

- review all service users' packages that have commenced or changed since April 2023
- work with NHS partners to help improve the discharge pathway including reviewing funding arrangements
- ensure financial and funding assessments are undertaken
- review internal processes.

Public Health

52. The Department is forecasting an underspend of £0.8m, mainly due to staffing vacancies and contract underspends. The underspend will be transferred to the Public Health earmarked reserve.

Environment and Transport

53. A net underspend of £2.3m (2.5%) is reported.

54. Across Highways and Transport Operations a net £1.9m overspend is reported as a result of:

- Mainstream School Transport - £1.3m overspend. Increase in overall number of students entitled to mainstream transport and rise in the number of routes, increase in bus operational costs resulting in higher contract costs and limited bus capacity leading to a larger number of pupils being transported by taxi. To mitigate costs a review is in progress to reduce the number of solo taxi contracts. A retendering process will then be undertaken during summer 2024 which should achieve savings in the new financial year.
- Social Care Transport / Passenger Fleet - net overspend £1.1m. Increased costs following a rise in the number of commissioned journeys for Social Care Transport, additional vehicle hire and maintenance costs, net of underspends on Passenger Fleet due to inability to recruit drivers and escorts.
- SEN Transport – £0.7m overspend. Continued growth in pupil numbers. To mitigate costs an SEN network review is in progress to maximise fleet usage and reduce solo taxi contracts.
- Environmental and reactive maintenance works – £1.4m overspend. Increased highways maintenance costs required to meet policy requirements.
- Staffing vacancies – net £0.4m underspend. On-going staffing vacancies caused by an inability to recruit to vacant posts across teams.
- Additional fee income – net £2.2m underspend. Increase in issues of Temporary Traffic Regulation Orders and network licenses/permits.

55. There is a net underspend of £1.9m reported on Environment and Waste Management services. Reasons are additional income from the sale of dry recyclable materials and electrical items (£1.0m); together with underspends arising from delays in delivery of environmental policies and initiatives (£0.1m); and the net impact from the diversion of waste from Energy from Waste and Refused-derived fuel facilities into landfill to accommodate the disposal of Persistent Organic Pollutants by incineration (£0.5m). This diversion is generating less haulage costs as waste is going directly into landfill causing an underspend (£0.2m).

56. As part of the year-end process an additional £0.2m has been released from the bad debt provision.

57. The remaining balance relates to a £2.1m underspend on Development and Growth. Lower than budgeted reimbursement on concessionary travel net of overspends on Local Bus Service contracts following delays to savings implementation due to conditions attached to Bus Service Improvement Plan (BSIP+) funding allocation has caused a net £0.8m underspend. This is in addition to underspends arising from vacancies across teams (£0.8m), HS2 ending (£0.1m); reduced energy costs (£0.1m) and additional income from section 38 and section 278 (Highways Act 1980) and fees and charges relating to highway infrastructure (£0.5m). These underspends are offset by additional costs associated with consultancy support to improve governance arrangements relating to the capital programme.

58. Additional costs arising from the various flooding incidents across the County during the winter are expected to be incurred during 2024/25 and are anticipated to be in the region

of £1m. A separate earmarked reserve has been established to fund these costs (paragraph 66 below refers).

Chief Executive's

59. The department is reporting a net underspend of £1.1m (7%). There are underspends due to staffing vacancies (£0.5m), increased Registrar's income (£0.3m), reduced running costs (£0.2m), additional income (£0.2m), and a net underspend on external legal costs (£0.1m), offset by additional costs of £0.2m relating to the Coroner's Service.

Corporate Resources

60. The department has an overall net underspend of £1.3m (4.0%).

61. There are underspends of £2.6m due to a combination of vacancies across several parts of the department, and reduced commissioning spend. This is largely because of the introduction of tighter corporate led financial controls, together with existing robust management and review of vacancies, delivering a number of in-year efficiencies, some of which are an early achievement of future MTFS savings.

62. However, there are continuing pressures on commercial services budgets, which has a £0.8m overspend, due to increases in the national living wage and general inflationary pressures. The overspend is after a one-off transfer of £2m from the MTFS Risks Contingency which has been added to the School Meals service budget to mitigate the impact of the inflationary pressures arising from the difficult economic climate. Work is continuing to review pressures and to identify mitigating actions.

Central Contingencies

63. Growth contingency (£1m). The contingency has been released to offset the overspends due to increased spending pressures in departments.

64. Fair Cost of Care / Adult Social Care Reforms (£4.6m). £3.5m of this contingency is required to fund additional spending in Adults and Communities. The balance of £1.1m is shown as being released as an underspend, reflecting the additional expenditure in the department.

65. MTFS Risks Contingency (£10m). £2m of the contingency has been released to provide temporary support to the Commercial Services budget. It is proposed that the remaining balance be used as a contribution to the Capital Financing reserves and this has been reflected in the outturn position at Appendix A. The future Capital Programme has a £93m funding gap. There are early indications that the North and East Melton Mowbray Distributor Road project may exceed current cost estimates, but risk assessments and contractor discussions are still ongoing to determine whether the current contingency will be sufficient. There are a number of other major capital projects still at an early stage and inflationary pressures continue to be a factor for the Council to manage. Weather related risks are also becoming an increasing issue to consider. Given that capital risks are

increasing, using the available risks contingency towards future capital costs is an appropriate and prudent strategy.

66. Inflation Contingency (£41.8m original budget, £3.3m balance). The pay award for Local Government staff for the current year exceeded the amount assumed in the contingency by around £1.6m. However, there is an underspend on the provision made for running costs, leaving a net balance of £3.3m which it is proposed is used as a contribution to an earmarked reserve of £1m for flooding works given issues experienced this winter and a £2.3m contribution to the Transformation reserve, to provide funding to support the delivery of additional savings required to address the future MTFS funding gaps.

Central Items

67. The Financing of Capital budget is underspent by £1.7m due to a reduction in interest payments following the early repayment of £42m of external debt principal to the Public Works Loans Board over the period June to August 2023. Following market expectations of higher and for longer inflation in the UK, there has been an increase in the discounts/reduction in the premiums available for the premature repayment of debt. At the start of the year the Council was £54m overborrowed against the capital financing requirement (the level of historic capital expenditure required to be funded). The premature repayment rates will continue to be monitored for any further opportunities to repay existing debt early.

68. Bank and other interest saw £7.7m increased investment income due to continued increases in the Bank of England base rate earlier in the financial year, and higher than estimated average Council balances. The base rate is 5.25% with markets forecasting that rates have now peaked and that they will start to reduce later in 2024. Average balances remain strong due to reserves, rephasing of expenditure on the capital programme and government grants paid in advance.

69. Central expenditure budgets are overspent by a net £0.5m due mainly to a contribution of £0.6m to the Pension Fund to top up the provision for ill-health retirements.

70. Other Items show a net overspend of £0.8m, due to technical pay adjustments, offset by prior year adjustments mainly relating to the refund of business rates and the cleansing of receipted aged purchase orders that are no longer required.

71. Additional business rates income (£12.3m), as set out below, is shown as being contributed to the Budget Equalisation Reserve, to be used to offset the anticipated gap of £33m in the MTFS projection in 2025/26. A net balance of £0.6m on the overall 2023/24 outturn is also shown as part of the transfer to the reserve. Whilst focused effort is being made by the Council to identify further savings and income generation opportunities, there are currently insufficient savings identified to meet the 2025/26 gap and so maintaining a sufficient level of reserves is crucial.

Business Rates

72. Additional Business Rates income of £5.2m is shown, subject to information from districts. The MTFS adopted a prudent approach and did not allow for potential real terms growth or for the full impact of inflation in charges to businesses and S31 grants.

73. The latest projection of the Leicester and Leicestershire Business Rates Pool shows levies for 2023/24, based on quarter three forecasts, to be a total of £18.4m, of which one third (£6.1m) will be allocated to the County Council as reported to the Cabinet on 23 June 2023. In addition, there are amounts of £0.2m due as a third share of previous years' levies held by the LLEP and £0.4m relating to interest on earlier years' levies, giving an overall forecast of £6.7m.

74. The Government announced a redistribution of £100m from the national Levy and Safety Net fund, of which the County Council has received £0.5m.

75. The Government has also released details of revisions to 2023/24 Top Up and Tariff amounts, reflecting adjustments to provisional figures in the original 2023/24 Settlement. The County Council's Top Up has been reduced by £0.1m.

76. These changes net to £12.3m which will be transferred to the Budget Equalisation earmarked reserve as referred to above. The growth arising from the Pool will be spent on economic priorities in line with the pooling agreement. This is likely to be through investment in capital projects which support economic growth.

Overall Revenue Summary

77. With focused effort and a tight control over cost pressures, the Council has achieved a balanced outturn position for 2023/24. There has been earlier delivery of savings in some areas, and innovative service delivery models developed, such as the partnership with Barnardo's and completion of additional SEND provision. The Council has also taken advantage of repaying debt when the opportunity arose, achieving savings in interest costs through proactive action. There are also encouraging indications that the TSIL programme is having an impact on the High Needs Deficit with a much improved position compared to the original budget. The improved outturn position has enabled £1m to be set aside for flooding improvement works to be carried out over the next 12 months in response to the flooding incidents experienced across the County this winter.

78. Despite achieving a balanced budget for 2023/24, the underlying position remains very challenging, even after actions taken to reduce expenditure. There are significant overspends in the Children and Family Services and Adult and Communities departments and the 2023/24 £6m deficit on the High Needs Block (resulting in a £41m cumulative HNB deficit) is of particular concern.

79. Many of the underspends are due to staff vacancies which by their nature are not on-going, and the significant additional income from bank and other interest is likely to be short-term too. Tight control over spending and reducing running costs where possible

through escalated financial controls has enabled the Council to produce a balanced outturn position, despite continued cost pressures across social care. Spend controls have contributed to savings in salaries, travel, training and stationery and a review is being undertaken to identify if any of these savings can be taken as permanent budget reductions.

80. The financial outlook for the County Council continues to be very difficult. Spending controls will need to remain in place and there will need to be a significant focus on identifying further savings across the Council.

General Fund and Earmarked Reserves

81. The uncommitted General Fund balance as at 31 March 2024 stands at £21m which represents 3.7% of the 2024/25 revenue budget, in line with the County Council's earmarked reserves policy. The MTFS includes further analysis of the County Council's earmarked reserves including the reasons for holding them.

82. The total level of earmarked reserves held as at 31 March 2024 total £223m including schools and partnership funding. They can be summarised as below:

Capital/Repairs	£136m
Risk	£79m
Revenue projects	£17m
Ring fenced grants etc	£21m
Schools DSG	-£32m
Partnerships	£2m
Total	£223m

83. Earmarked reserves are shown in more detail at Appendix C. This shows actual balances as at the end of March 2024 and a forecast balance as at the end of March 2025. The forecast shows that reserves are due to reduce significantly over the next 12 months as capital reserves are used to fund the programme during 2024/25 and ring-fenced grants are spent on the projects that they are intended for.

84. The risk-based reserves shown in the table above includes the Budget Equalisation reserve which is held to support the MTFS and provide some level of cover for future funding gaps in case adequate savings are not identified or delivered. Given that the budget gap in 2025/26 is expected to be in the region of £33m, as well as the future challenges on the High Needs deficit, it is important that this reserve is held at a reasonable level.

85. The main earmarked reserves are set out below.

Renewals of Vehicles and Equipment (£1.3m)

86. Departments hold earmarked reserves for the future replacement of vehicles and equipment such as ICT.

Trading (£2.6m)

87. Sinking fund set aside to fund repairs and maintenance of the Investing in Leicestershire Programme (IILP).

Insurance (£15.4m)

88. Earmarked reserves of £10.3m are held to meet the estimated cost of future claims to enable the Council to meet excesses not covered by insurance policies and smooth fluctuations in claims between years. The levels are informed by advice from independent advisors.

89. The uninsured loss fund of £5.1m is required mainly to meet potential liabilities arising from Municipal Mutual Insurance (MMI) that is subject to a run-off of claims following liquidation in 1992. The fund also covers the period before the Council purchased insurance cover and any other uninsured losses.

Children and Family Services

90. Children and Family Services Developments (£2.1m). This provides funding for a number of projects such as improving management information, information access and retention and responding to changing requirements as a result of OfSTED and legislation. The fund also includes government grants with no conditions for repayment that have not yet been used by the end of March 2024.

Adults and Communities

91. Adults and Communities Developments (£1.4m). This earmarked reserve is held to fund a number of investments in maintaining social care service levels and assisting the Department in achieving its transformation.

Public Health

92. Public Health (£9.0m) – to fund Public Health initiatives within Leicestershire. The reserve includes various Government grants that have been carried forward to 2024/25 or where the grant conditions have already been met, and for the departmental underspend at year end as mentioned earlier in the report. The department has a detailed plan of public health initiatives, including those relating to Covid-19 for at risk groups.

Environment and Transport

93. Commuted Sums (£2.4m). This funding, received from housing developers, is used to cover future revenue costs arising from developer schemes where the specifications are over and above standard developments. For example, block paving, bollards, or trees adjacent to the highway. These liabilities can arise many years after the funding is received and therefore the balance on this earmarked reserve has built up over time.

Corporate

94. Transformation Fund (£8.9m). The fund is used to invest in transformation projects to identify and deliver efficiency savings and also to fund severance costs. To achieve the level of savings within the MTFS the Council will need to change significantly, and this will require major investment, including in some of the core ‘building blocks’ of transformation such as improvements to data quality, and improvements to digital services enabling more self-service.

95. Broadband (£3.9m). This earmarked reserve was established to allow the development of super-fast broadband within Leicestershire. There is a significant time lag in spending County Council funds as a result of securing grant funding from Government and the European Regional Development Fund (ERDF) that required those funds to be spent first and within a set period.

96. Budget Equalisation (£61.3m). This manages variations in funding across financial years. This includes the increasing pressures on the High Needs element of the DSG which is in deficit by £41.2m at the end of 2023/24. The Children and Family Services department is investigating a number of actions that could over the course of the MTFS reduce demand and therefore the overall deficit. As things stand, there could be a significant call on this reserve for 2025/26 if further savings are not identified and delivered in the short term.

Capital

97. Capital Financing (£149.3m). This earmarked revenue reserve is used to hold MTFS revenue contributions required to fund the approved capital programme in future years. The increase at year-end is due to the overall level of rephasing of expenditure on the capital programme in 2023/24 and the £8m set aside for capital risks from the MTFS risks contingency mentioned earlier in the report. In addition, when financing actual capital expenditure incurred, capital funding is used first and this revenue reserve is used last (as revenue funding is less restricted than capital funding which can only be used to fund new capital expenditure). This reserve is fully committed to fund the 2024-28 MTFS capital programme and will be used before any of the planned £93m unsupported borrowing included in the 2024-28 programme is used.

98. Pooled Property Fund(s) (-£24.8m). The Cabinet previously approved the investment of £25m of the Council’s earmarked reserves into pooled property funds. The investments are held to achieve higher returns than if the funds were invested as cash and return an annual contribution of approximately £1m. The investment is funded from the overall balance of earmarked reserves and can be realised in the future when required.

Other / Partnerships Earmarked Reserves

99. DSG (overall deficit of £32m). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations. This reserve is earmarked to meet the revenue costs of commissioning places in new schools, early years and to support pressures on the High Needs block. A summary is shown below:

	Schools Block	Early Years Block	High Needs Block	Total
	£m	£m	£m	£m
As at 31 March 2023	10.7	-5.3	-35.5	-30.1
Changes 2023/24	1.6	2.2	-5.7	-1.9
As at 31 March 2024	**12.3**	**-3.1**	**-41.2**	**-32.0**

100. Within the Schools block funding, future DSG allocations for schools' growth will be retained and added to the earmarked reserve to support the revenue costs of commissioning new schools. The deficit on the High Needs block will increase in the medium term until the savings arising from the High Needs Development Plan are delivered. In the short term the surplus on the Schools block will partially offset the high needs and early years deficits.

101. Health and Social Care Outcomes (£10.0m) used in conjunction with Health partners across Leicestershire. These reserve balances are higher than anticipated due to delays in projects such as extending the new Intake Model for Homecare Assessment and Reablement (£2.5m) which will commission appropriate services following a more focussed assessment period and the health digital project (£0.6m) with some projects still to be confirmed (£2.0m).

102. Active Together (£1.2m). The main purpose of this earmarked reserve is to hold partner contributions until expenditure on the agreed activities has been incurred. A significant part of the services' funding from external agencies is uncertain in nature, so the earmarked reserve also allows management of funding variations and a redundancy provision.

East Midlands Freeport (EMF)

103. The Council acts as the accountable body for EMF. Freeports are designated areas where tax benefits exist to encourage investment and economic growth. The key funding stream for Freeports is retained business rates. In designated areas 100% of growth in business rate revenues is retained to allow these funds to be invested in the local area rather than a share needing to be returned to central government.

104. In advance of growth, and retained business rates being available, the Cabinet approved the provision of a cash flow loan to EMF up to a total of £4m to cover set up and operations. This loan is at commercial rates to avoid any conflict with subsidy control and ensure the County Council gets an appropriate return on investment. As the accountable body for EMF, the role includes providing support to the Freeport in delivering the objectives set by the Government.

105. As at the end of the 2023/24 financial year a total of £2.6m had been drawn down. Current forecasts are that there will be a surplus of retained business rates over costs in the 2024/25 financial year such that the balance on the cash flow loan at the end of 2024/25 will reduce to £1.9m. It is then anticipated that this remaining amount will be repaid in full during 2025/26.

106. The risk of eventual non-payment is considered to be low for the following reasons:

- Over £1bn of retained business rates is expected to be generated over 25 years;
- This is likely to exceed £10m per year from 2027/28 and continue to rise;
- Repayment of County Council funds is the first call on retained business rates after covering operational costs;
- Rates are already being generated on one of the tax sites.

107. In addition, the use of retained business rates will be available to supplement developer funding, thereby mitigating adverse impacts of development.

CAPITAL PROGRAMME

108. The updated capital programme for 2023/24 totals £139m. This follows a review of the programme undertaken over the summer and approved by the Cabinet in September 2023. A total of £107m has been invested during 2023/24.

109. A summary of the capital outturn for 2023/24, excluding schools devolved formula capital, is set out below:

Programme Area	Updated Budget £000	Actual Expenditure £000	Net Variance £000	%
Children and Family Services	41,417	33,915	(7,502)	82%
Adults and Communities	5,904	4,836	(1,068)	82%
Environment and Transport	85,002	65,901	(19,101)	77%
Chief Executive’s	31	31	(0)	100%
Corporate Resources	4,651	1,838	(2,813)	39%
Corporate Programme	2,300	865	(1,435)	38%
Total	**139,305**	**107,386**	**(31,919)**	**77%**

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

Programme Area	Underspend £000	Overspend £000	Rephasing of expenditure £000	Accelera-tion £000	Total £000
Children and Family Servs.	(131)	131	(10,159)	2,657	(7,502)
Adults and Communities	(10)	0	(1,058)	0	(1,068)
Environment and Transport	(918)	918	(19,282)	181	(19,101)
Chief Executive’s	0	0	0	0	0
Corporate Resources	(4)	4	(2,890)	77	(2,813)
Corporate Programme	0	0	(1,435)	0	(1,435)
Total	**(1,063)**	**1,053**	**(34,824)**	**2,915**	**(31,919)**
	(10)		**(31,909)**		

111. The net underspend has been added to the capital financing reserve to reduce the level of internal borrowing required for the new MTFS capital programme. The net rephasing of

expenditure of £31.9m has been carried forward to the capital programme 2024-28 to fund delayed projects.

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

113. Appendix E compares the provisional prudential indicators with those set and agreed by the Council at its budget meeting in February 2023. These are all within the limits set.

114. A review of the new 2024-28 MTFS capital programme will be undertaken during the summer 2024 in light of the outturn and financial pressures on large capital projects. An updated capital programme will be reported to the Cabinet in September 2024.

Children and Family Services

Key Projects Delivered

115. Creation of additional school places completing projects at fourteen different schools. A total of 602 new primary school places across six schools including Holycroft Primary School in Hinckley, the Council's first Carbon Neutral School. For secondary, 250 new school places across two schools were delivered. The SEND programme saw the completion of several schemes to support the growing needs for High Needs places in Leicestershire. This included the expansion of six SEND Schools which created an additional 123 SEND places.

Main Variances

116. The Department is reporting net rephasing of expenditure of £7.5m.

117. The main variances relate to the Provision of School Places Programme (£4.6m):

- Shepshed Iveshead School, £2.3m rephasing of expenditure. The Shepshed campus has multiple different education provisions that have some degree of interaction which affects the timing dependency of building works. Enabling works are now underway with commencement of the build on site expected in July 2024.
- Ibstock High School - rephasing of expenditure of £1.4m. This scheme supports housing growth in the area and transition to 11-16. The original estimates for the start of the project were slightly optimistic with the latest update now reporting construction starting in July 2024.
- Coalville Forest New Primary - rephasing of expenditure of £2.1m. The timing of the Council's contribution to this scheme is dependent on the contractor hitting trigger points and submitting claims. The site was affected by unprecedented weather over the winter and as such the Council's contribution will not be required until 2024/25.
- Burbage Hastings High School - acceleration of £0.5m. A project in the 2024-28 programme to create a new sports hall and addition classrooms. The budget had been prudently profiled in the MTFS – however, pre-construction works were able to start in 2023/24.

- Market Harborough New Primary School (Wellington Place Primary) - acceleration of £1.7m. The profiling of the budget for this scheme was undertaken prudently. The scheme is well underway, with completion expected by September 2024.

118. Other variations include rephasing of expenditure of £1.9m on the Children's SEND programme and £0.5m rephasing of expenditure on the Children's Social Care Improvement Programme (SCIP). Key variances are:

- £0.9m rephasing of expenditure relates to the new SEND school due to open at Shepshed in September 2024. This scheme encountered rephasing of expenditure due to delays in the DfE appointment of a contractor.
- £0.5m rephasing of expenditure on the Children's SCIP was due to lack of availability on properties on the housing market following rises in the Bank of England base rate during 2023.

Adults and Communities

Key Projects Delivered

119. Disabled Facilities Grant £4.8m passported to Leicestershire district councils to help people with the cost of adapting their homes to meet their essential needs.

Main Variances

120. The Department has reported net rephasing of expenditure of £1.1m. The variance is on the SCIP programme relating to two extra care schemes where the land transactions have been delayed to 2024/25.

Environment and Transport

Key Projects Delivered

121. A total of £38.5m was spent on the preparation and delivery of major projects in 2023/24, including:

- North and East Melton Mowbray Distributor Road, £33.4m – The construction of the new distributor road to ease congestion in the town centre and facilitate growth is underway.
- A511 Major Road Network scheme, £1.7m in designing and preparing the full business case to the Department for Transport. Project to tackle longstanding congestion and traffic related problems on the A511 between Leicester (M1 Junction 22) and the A42 commenced 2019/20 with a completion on site anticipated in 2027.
- Advanced Design/ Match funding for major projects - £1.8m
- Leicester and Leicestershire Integrated Transport Model Refresh - £0.9m
- Zouch Bridge, £0.3m – the existing bridge is at the end of its life. The bridge forms part of the A6006 which is strategically important in terms of transport infrastructure

and the regional economy. The procurement for a replacement commenced in 2023/24.

122. A total of £2.5m was spent on other schemes including:
- Vehicle replacement programme – £1.3m
- Externally funded schemes – £0.7m

123. A total £23.6m was invested in Highways Asset Maintenance:

- £17.6m on carriageways
- £2m on footways and rights of way
- £1.1m on bridge maintenance and strengthening
- £2m on street lighting maintenance
- £0.3m on flood alleviation
- £0.6m on traffic signal renewal

124. A total of £1.3m has been invested in Environment and Waste improvement works, including Recycling and Household Waste Sites (RHWS).

Main Variances

125. The Department has reported net rephasing of expenditure of £19.1m. The main variances are:

- North and East Melton Mowbray Distributor Road, £9.3m rephasing of expenditure due to adverse weather conditions delaying works from progressing on the programme. The overall costs of the project may now exceed the original budget, leading to a call on the risk contingency. However, this is still being reviewed and mitigations being explored.
- Council Vehicle Replacement Programme, £2.2m rephasing of expenditure as orders have been committed however due to supplier issues this has delayed the delivery of the vehicles.
- Advanced Design, £1.3m rephasing of expenditure. Delays in transport modelling.
- A511/A50 Major Road Network, £0.9m rephasing of expenditure. The sealing of the CPO has been delayed due to design amendments.
- Highways Capital Maintenance - £0.7m rephasing of expenditure on design works for capital programmes and delays in securing environment agency permits.
- Zouch Bridge Replacement – Construction and enabling works, £0.7m. Procurement process underway with a start date expected later in 2024/25.
- Waste Transfer Station Development, £0.6m rephasing of expenditure. Due to ongoing discussions with contractor regarding snagging issues.
- Property Flood Risk Alleviation, £0.6m rephasing of expenditure forecast on schemes in Breedon, Swithland, Harborough and Diseworth. Resource impacts from Storm Henk and reprofiling with the Environment Agency are key reasons for this.

- Ashby Canal reed bed - Rephasing of expenditure of £0.5m due to delays in construction works on the programme. Work expected to progress and complete in 2024/25.

Chief Executive's

Key Projects Delivered

126. During 2023/24, the final round of the SHIRE capital grant programme was delivered at a cost of £31,000. Through the SHIRE grants programme this financial year, capital grants were awarded to a total of nine not-for-profit community organisations, charities and social enterprises within Leicestershire. These grants were used towards delivery of projects, activities and services to support the health and wellbeing of vulnerable and disadvantaged people and communities.

Corporate Resources

Key Projects Delivered

127. During 2023/24, £1.8m was invested, including the following programmes:

- ICT End User devices, £0.8m, updating Council-owned computers.
- Ways of Working programme, £0.2m, a programme to drive efficiency and promote productivity by promoting a culture of flexible, smarter working and office optimisation enabling rental income from partners.
- Property services, £0.4m, extending the life of council properties.
- Public sector decarbonisation scheme, £0.3m, a programme to reduce the carbon impact of County Council properties.

Main Variances

128. The Department is forecasting net rephasing of expenditure of £2.8m. The main variances are:

- Workplace Strategy - End user device programme (PC, laptops), £0.6m rephasing of expenditure agreed to reprogramme funds over future years.
- Workplace Strategy – Office Infrastructure, £0.6m rephasing of expenditure due to requirements for departmental engagement and detailed design work pre-implementation.
- Climate Change (Energy Initiatives), £0.5m rephasing of expenditure. Heat decarbonisation plan will not be completed before March 2024 which will identify projects for 2024/25. Electric vehicle charging plans delayed to align with EV feasibility strategy completion.
- Workplace Strategy – Property Costs, £0.3m rephasing of expenditure as other unplanned work has created a delay to the original plan. This work was to be completed before any further lettings take place.

- ICT, £0.2m rephasing of expenditure to accommodate wider growth during 2024-28 MTFS period.
- Property Services - rephasing of expenditure of £0.5m across a number of smaller schemes, including works at County Hall and at various country parks.

<u>Corporate</u>

Key Projects Delivered

129. During 2023/24, £0.9m was invested into the direct property estate, including a £0.2m investment in Airfield Business Park, Market Harborough, £0.3m investment in Quorn Solar Farm as part of the Investing in Leicestershire Programme (IILP) to generate enhanced revenue returns, and £0.4m on improvements to industrial estates and county farms.

Main Variances

130. The programme has reported net rephasing of expenditure of £1.4m on the Investing in Leicestershire Programme (IILP). The main variances are with the general improvement programmes for County Farms Estate, £0.2m and Industrial Properties Estate, £0.3m. There was also rephasing of expenditure of £0.5m as no new investment opportunities were identified in 2023/24.

<u>Capital Receipts</u>

131. The requirement for general capital receipts for 2023/24 is £3.5m. The actual receipts were £6m due to earlier than planned disposals. The balance will be carried forward to 2024/25 to fund the 2024-28 capital programme – a surplus from 2023/24 was anticipated when compiling the 2024-28 capital programme.

<u>Overall Capital Summary</u>

132. The Council has delivered a number of key capital projects during 2023/24, including new school places and early works on a number of transport projects. Managing and delivering major capital projects is complex and the spend on some projects has been rephased into future years to match completion timescales.

133. The Capital Programme in future years is challenging, with a funding gap in the MTFS, although further opportunities to generate capital receipts or secure external funding will be explored to reduce the gap and minimise any borrowing requirement.

<u>Investing in Leicestershire Programme (IiLP) – 2023/24 Monitoring</u>

134. The IiLP is an integral part of the MTFS. Investments in property and other indirect holdings generate income that supports the Council's MTFS whilst contributing to the wider strategic objectives of the Council and the economic wellbeing of the area. The IILP Strategy is approved annually as part of the MTFS.

135. A summary of the IiLP position for 2023/24 is set out below:

Asset Class	Opening Capital Value	Capital Incurred / (Returned) 2023/24	Net Income YTD	Budget Net Income FY	Actual net income return %
	£000	£000	£000	£000	%
Development	46,187	38	(136)	(136)	(0.3%)
Rural	24,212	(3,352)	191	452	0.8%
Direct Core Commercial Holdings	87,659	155	3,377	4,718	3.8%
Total Direct Core and Non-Core Holdings	**158,058**	**(3,159)**	**3,432**	**5,034**	**2.2%**
Private Debt	28,708	495	1,720	1,055	5.9%
Pooled Property	22,470	0	924	759	4.1%
Pooled Infrastructure Fund	8,693	0	471	338	5.4%
Pooled Bank Risk Share	15,541	0	1,131	425	7.3%
Total Indirect Holdings (Diversifiers)	**75,412**	**495**	**4,246**	**2,577**	**5.6%**
Total (All IiLP)	**233,470**	**(2,664)**	**7,679**	**7,611**	**3.3%**
Total excl. development and rural	**163,071**	**650**	**7,624**	**7,294**	**4.7%**

136. The budgeted net income for 2023/24 is £7.6m, split between direct and indirect (diversifiers) as in the table above. The outturn for the year was higher than the budget and it was decided to add the £1.2m out performance to accelerate the rebuild of the sinking fund which was depleted in 2022/23 in order to remediate a farm.

137. The diversifiers are indirect holdings with the purpose of reducing overall portfolio risk by investing in differing asset classes and geographies. Four separate types of investment are included, UK pooled property funds, a global infrastructure fund, three vintages of a pooled private (debt) credit strategy and a bank risk share strategy. The aim is to provide diversified income from a variety of differing sources. No new diversifiers were committed to in 2023/24 although the private debt fund has called capital totalling £5.6m through 2023/24. This was offset with maturing earlier vintage private debt investments of £5.1m. The diversifiers net income in the year totalled £4.2m which was higher than the budgeted £2.6m. This is due to more favourable terms being achieved from these investments and a higher amount invested in bank risk share compared to the original budget.

138. The valuations for the indirect holdings include four pooled property funds which in 2023/24 fell in aggregate by £1.7m (on top of the £5.5m in 2022/23). The reduction in valuation of the pooled property funds is due to the repricing of property assets versus the risk-free UK bank base rate increases since mid-2022. Income from the underlying holdings is still considerable and marginally exceeded the £0.8m budget by £0.1m. These holdings are considered long term investments and some fluctuation in valuation is expected in shorter periods.

139. Private debt income has been ahead of the £1.1m budget due to timing of interest payments that were delayed in 2022/23.

140. Income from the bank risk share investment of £1.1m is higher than budget. The higher interest rate environment and lack of capital during 2023 allowed the manager to complete better than expected deals which would benefit investors.

141. It should be noted that the above table excludes end of year capital valuations for the direct portfolio which will impact the net income return percentage when that element is finalised. Capital valuations are assessed annually as part of the asset revaluation exercise and are reported in the annual IILP performance report in September each year.

Equality Implications

142. There are no direct equality implications arising from the recommendations in this report.

Human Rights Implications

143. There are no human rights implications arising from this report.

Appendices

Appendix A - Comparison of 2023/24 Expenditure and the Updated Revenue Budget
Appendix B - Revenue Budget 2023/24 – main variances
Appendix C - Earmarked Reserve balances 31/3/24
Appendix D - Capital Programme 2023/24 – main variances
Appendix E - Prudential Indicators 2023/24

Background Papers

Report to the County Council on 22nd February 2023 - Medium Term Financial Strategy 2023-2027 - https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=6913&Ver=4

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