Meeting: **Scrutiny Commission**

Date/Time: **Wednesday, 8 September 2021 at 10.00 am**

Location: **Sparkenhoe Committee Room, County Hall, Glenfield**

Contact: **Mrs J Twomey (Tel: 0116 305 2583)**

Email: **joanne.twomey@leics.gov.uk**

Membership

Mr. M. T. Mullaney CC (Chairman)

Mr. T. Barkley CC	Mr. J. Morgan CC
Mrs. H. J. Fryer CC	Mrs. R. Page CC
Mr. S. J. Galton CC	Mr. T. J. Pendleton CC
Mr. T. Gillard CC	Mr J. Poland CC
Mr. Max Hunt CC	Mr. T. J. Richardson CC

SUPPLEMENTARY AGENDA PACK

Democratic Services ◦ Chief Executive's Department ◦ Leicestershire County Council ◦ County Hall
Glenfield ◦ Leicestershire ◦ LE3 8RA ◦ Tel: 0116 232 3232 ◦ Email: democracy@leics.gov.uk

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SCRUTINY COMMISSION – 8 SEPTEMBER 2021

MEDIUM TERM FINANCIAL STRATEGY – LATEST POSITION

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. The purpose of this report is to advise members that a further report regarding the 2021/22 revenue budget for period 4, an update on the capital programme and the approach to updating the Medium Term Financial Strategy (MTFS) for 2022-26 will be submitted to the Scrutiny Commission on 8 September.

2. The report will be circulated to members and published on the County Council's website as soon as it is available. That report will also be considered by the Cabinet at its meeting on 17th September.

Recommendation

3. Members are asked to note this and the supplementary report and to agree comments for consideration by the Cabinet.

Policy Framework and Previous Decisions

4. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council in February 2021. The County Council's Strategic Plan outlines its long-term vision and the MTFS, along with other plans and strategies such as the Transformation Programme, aligns with and underpins the Strategic Plan.

Background

5. The Cabinet on 20th July 2021 considered a report regarding the 2021/22 revenue budget and capital programme monitoring position at the end of May 2021 (Period 2 of the financial year). That report was circulated to all members of the County Council.

6. The report explained that revenue budget monitoring showed a net projected overspend of £18.4m and capital programme monitoring indicated a likely net slippage of £10.2m compared with the updated 2021/22 budget. The savings requirement for the period of the MTFS totalled £80m, of which £23m still needed to be identified.

7. The report advised that the Scrutiny Commission would receive a paper on the revenue budget and capital programme monitoring position as at the end of Period 4 and that further work would be taking place over the summer to review the MTFS, the outcome of which would be reported to members in September.

8. The Period 4 position is the position up to the end of August 2021. Council departments were required to submit their returns by the 20th August. At the time of writing, these details are still being interpreted and consolidated into the overall financial position and the further report will be circulated to members as soon as this is completed.

Circulation under the Local Issues Alert Procedure

9. None.

Equality and Human Rights Implications

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

Background Papers

Report to the Cabinet on 20 July 2021 - "2021/22 Medium Term Financial Strategy Monitoring (Period 2)" and minutes of that meeting
http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6445

Officers to Contact

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Leicestershire County Council

CABINET - 17TH SEPTEMBER 2021

MEDIUM TERM FINANCIAL STRATEGY - LATEST POSITION

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to provide members with an update on the 2021/22 revenue budget and capital programme monitoring position as at the end of period 4 (the end of July), to obtain approval to changes to the previously agreed 2021-25 capital programme and agree the approach to updating the Medium Term Financial Strategy (MTFS) for 2022 to 2026.

Recommendation

2. It is recommended that:

   a) the latest position regarding the 2021/22 revenue budget and capital programme as at the end of July 2021, period 4, be noted;

   b) the revised capital programme 2021/22 to 2024/25 as set out in Appendix C to the report be approved;

   c) the Director of Corporate Resources following consultation with the Cabinet Lead Member for Corporate Resources be authorised to agree the use of funding from the portfolio risk allocation to specific projects within the Environment and Transport Capital programme;

   d) the approach outlined in the report to updating the Medium Term Financial Strategy be noted.

Reasons for Recommendation

3. To inform members of the intended approach to the development of plans to address the latest financial position.

4. To seek agreement to the revised capital programme for 2021-25 which has required amendment as a result of the latest forecast financial position and known pressures on a number of schemes and to the delegation to the Director of Corporate Resources following consultation with the Cabinet Lead Member for Corporate Resources, of the authorisation of the use of the portfolio risk contingency (£10.6m) for Environment and Transport schemes in order to address issues arising with major schemes without delay.

Timetable for Decision (including Scrutiny)

5. The Scrutiny Commission will consider this report on 8th September 2021 and its comments will be reported to the Cabinet.

6. The Cabinet will be asked to approve the draft MTFS 2022 to 2026 for consultation in December 2021. All Overview and Scrutiny Committees and the Scrutiny Commission will consider the draft MTFS in late January 2022 and the Cabinet will then make a final recommendation to the County Council in February 2022.

Policy Framework and Previous Decisions

7. The Medium Term Financial Strategy for 2021/22 to 2024/25 was approved by the County Council on 17th February 2021. Over the autumn and winter of 2021 the MTFS will be reviewed and updated.

8. Regular reports have been provided to the Cabinet on the overall financial position.

Resource Implications

9. The financial position faced by the County Council is extremely serious and challenging. The current MTFS anticipated a funding gap of £23m by 2024/25 but the additional pressures from Covid-19 will increase that gap significantly and the level of uncertainty. This is a particularly difficult situation for a low-funded authority such as Leicestershire as room for further savings is limited.

10. Covid-19 continues to have a heavy influence on the current year’s financial position, and also increases the level of uncertainty. The year-end position will again depend very much on the level of interventions and other support from Government, as well as other bodies such as NHS bodies. So year-end estimates made in this report, based on information to the end of period 4, need to be treated with some caution. But furthermore, that uncertainty becomes more problematic when trying to assess the medium term financial position.

11. Based on current information, it is very likely that the County Council, when it rolls forward the MTFS into 2025/26, will continue to have a funding gap in the later years. This is compounded by the increased demands from the capital programme which, whilst manageable in the short term increases the pressure on the Council’s cash balances and could, depending on the wider financial position pans out, lead to a position where external borrowing is required, adding further to the burden on the revenue budget.

12. To balance the budget without a significant impact on services will require a major efficiency initiative. The County Council continues to press the Government to address the imbalance on relative funding levels between local authorities. Furthermore the financial situation also requires the Government to deal with the structural national issues around funding for those services, such as social care and Special Educational Needs and Disabilities (SEND), which are experiencing a relentless growth in demand.

13. The Director of Law and Governance has been consulted on the content of this report.

<u>Circulation under the Local Issues Alert Procedure</u>

None.

<u>Officers to Contact</u>

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PART B

2020/21 REVENUE BUDGET MONITORING – PERIOD 4

14. The period 4 revenue budget monitoring exercise shows a net projected overspend of £12m. In the current financial year this can be manged through the Covid budget. However, this was a one-off provision and additional pressures will lead to an increased requirement for savings if they cannot be contained. The Covid budget simply allows time to resolve the financial issues.

15. In the 2021-25 MTFS the savings requirement totals £80m, of which £23m still needs to be identified. Even with the declared overspend there are uncertainties in the medium term due to the continuing impacts of Covid-19 on the economy affecting income from local taxation and future central government funding, and the impact on services through changes required for Covid-19.

16. The General Fund stands at £17m as at 31st March 2021, which represents 4.3% of the 2021/22 revenue budget, in line with the County Council's earmarked funds policy and the MTFS approved in February 2021.

17. The overall position includes the estimated impact of Coronavirus (Covid-19) where it can be reasonably estimated at this stage. There is a high level of uncertainty in the estimates when forecasting for the full year. This certainty will improve in future monitoring exercises during the year.

18. A summary of the position is shown below and set out in more detail in Appendix A.

REVENUE BUDGET MONITORING STATEMENT
FOR THE PERIOD: APRIL 2021 TO JULY 2021

	Updated Budget	Projected Outturn	Difference from Updated Budget	
	£000	£000	£000	%
Schools Budget – Schools and Early Years	0	-1,910	-1,910	
Schools Budget – High Needs	0	9,330	9,330	
Net Total	0	7,420	7,420	
Children & Family Services (Other)	89,087	88,857	-230	-0.3
Adults & Communities	156,525	170,005	13,480	8.6
Public Health	-1,323	-1,323	0	0.0
Environment & Transport	81,355	79,945	-1,410	-1.7
Chief Executives	12,458	12,438	-20	-0.2
Corporate Resources	34,089	35,019	930	2.7
Capital Financing	21,500	22,550	1,050	4.9
Other Areas	15,870	15,720	-150	-0.9
Central grants/other income	-43,508	-44,508	-1,000	2.3
Covid-19 budget	28,300	28,300	0	0.0
Contribution to budget equalisation earmarked fund	4,000	7,700	3,700	92.5
Contribution to General Fund	1,000	1,000	0	0.0
Total	399,353	415,703	16,350	4.1
Funding	-399,353	-403,753	-4,400	1.1
Net Total	0	11,950	11,950	

19. The key projected variances that have been identified are set out below. Further details of major variances are provided in Appendix B.

Children and Family Services – Schools Budget

20. The schools budget is forecast to overspend the grant received by a net £7.4m at the end of 2021/22, mainly relating to the High Needs block (£9.4m) offset by an underspend on the Schools Block from schools growth (£2.2m) which will be retained for meeting the costs of commissioning school places in future years.

21. Nationally, concern over the impact of Special Educational Needs and Disabilities (SEND) reform on High Needs expenditure and the financial difficulties this places on

local authorities continues. The position in Leicestershire reflects the national picture. The MTFS included £5.7m as the estimated in year overspend on the High Needs Block of Dedicated Schools Grant (DSG). The current forecast shows that this has increased to £9.4m, an increase of £3.7m as a result of increased number of Independent School and Post-16 places at an additional cost of £1.9m and non-achievement of savings of £1.7m. The Cabinet received a report regarding the High Needs Position at its meeting on 22 June.

22. The SEND Capital Programme is developing new resource bases with the aim of reducing the reliance on expensive independent sector places. During 2019/20 and 2020/21 a number of these bases welcomed their first cohort of students, with more places to be filled during the 2021/22 academic year. The increase in demand however has resulted in these places being filled with new pupils as opposed to having the desired impact on reducing numbers in independent settings. Due to set-up costs the full effect of the programme will not be seen until future years. Additionally, the numbers of pupils in mainstream settings that receive top-up funding is rising rapidly.

23. By the end of 2021/22 the estimated accumulated High Needs deficit is forecast to be £26.9m. The Department is investigating a number of actions that could over the course of the MTFS reduce demand and therefore the overall deficit. The high needs deficit continues to increase over the MTFS period and is not financially sustainable, this creates a significant and unresolved financial risk to the Council.

<u>Children and Family Services – Local Authority Budget (Other</u>)

24. The Local Authority budget is forecast to underspend by a net £0.2m (0.3%), mainly relating to a projected underspend on the Children's Social Care Placement budget (£1.2m) based on current demand and activity, offset by an overspend due to pressures within the social care workforce (£1.0m).

25. Looked after Children in Care (LAC) numbers increased by 8% last financial year to 705 as at 1st April 2021. The budget for 2021/22 had assumed a further 8% increase in LAC numbers. However, currently LAC numbers for Leicestershire stand at 677. The subsequent impact has seen current placements numbers across various provision types at a lower level than budgeted for.

26. Further work is required over the coming months to establish how sustainable current patterns and trends within Leicestershire's LAC cohort are, and its subsequent financial impact both in year and in future years. Current referrals into both Early Help and First Response service areas have doubled, a scenario which was largely expected post Covid-19. It is, however, uncertain at this stage how this demand will impact Leicestershire's LAC numbers but will be kept under continual review.

27. The Defining Children and Family Services for the Future programme has a number of workstreams to reduce the requirement for residential placements; reduce durations and increase internal fostering capacity. Early signs show this is starting to make a positive impact and can be seen in the departments projected spend levels for this financial year. The Social Care Investment programme working in partnership with Barnardo's will also

have an impact through the creation of additional capacity for under 16's, over 16's and parent and children, which should be in place by Autumn 2021. With increasing demands projected and a market shortage, there is a strong case for more investment and a proposal is currently being worked up.

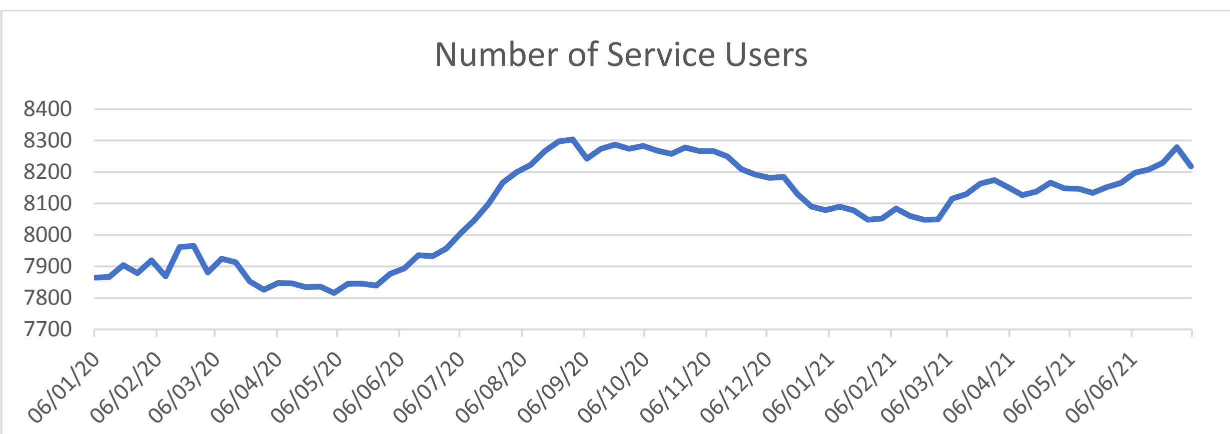
28. In relation to Children's Social Care Staffing budgets, whilst good progress has been made with various recruitment and retention activities across the Department, there are currently still isolated issues within certain social care localities. For example, currently within the Wigston locality it has become increasingly difficult to recruit and retain experienced social workers, senior practitioners, and team managers. The prolonged period of instability in this particular locality has led to higher caseloads and increased use of agency staff; this has further impacted on retention of experienced staff. Within the Defining Children's programme, Newton Europe are currently working with service managers to re-balance workloads, review roles and improve productivity where possible.

<u>Adults and Communities</u>

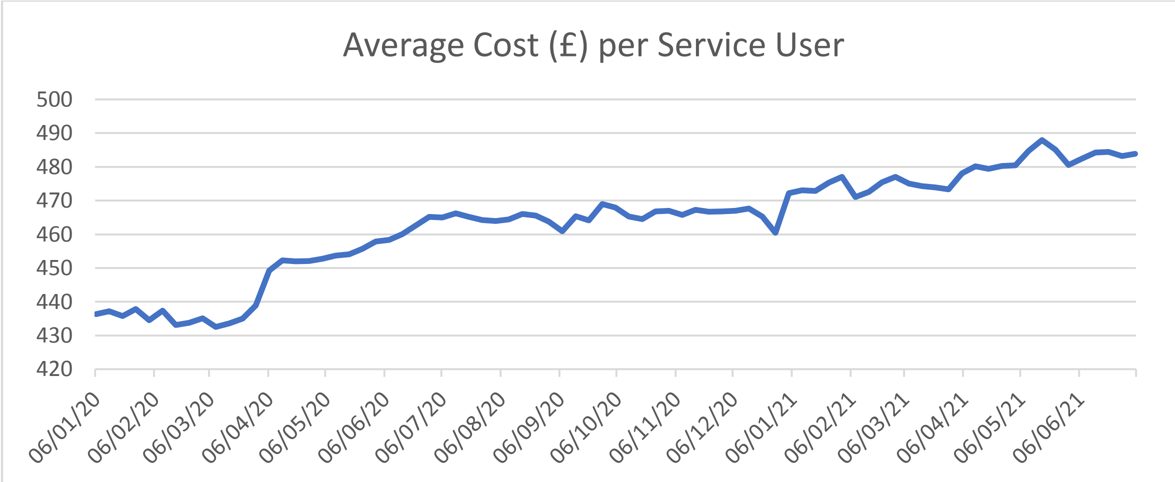
29. A net overspend of £13.5m (8.6%) is forecast.

30. There is a continuing significant financial impact due to Covid-19 on adult social care which includes additional cost for commissioned services and loss of service user income.

31. The overall number of service users being supported across Residential Care, Homecare, Supported Living, Cash Payments and Community Life Choices from January 2020 through to July 2021 have significantly increased. Typical growth in a year would be approximately 1.5% per annum, however, current number of service users supported is an increase of 3.8%.



32. Over the same time period the average cost per service user has also increased (the rises in April relates to the annual fee review uplifts).

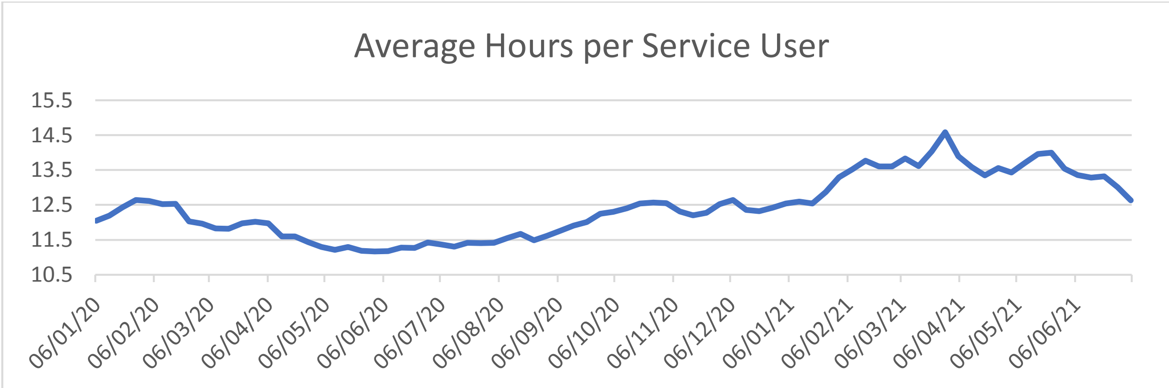


33. The main areas of additional spend are:

- Homecare – an overspend of £11.3m is forecast which reflects that both average package costs and client numbers are significantly higher than budgeted. At the time of preparing the budget, the hospital discharge to assess scheme was expected to end on 31 March 2021. The scheme is now due to end on 30 September 2021, although arrangements beyond this date are uncertain. Some of these costs are offset by hospital discharge income in the region of £0.8m.

- The discharge to assess scheme, along with placing less clients into residential care services during the early stages of the pandemic, has been the main factor behind the increase in the numbers of people receiving home care and the average number of hours commissioned per client since March 2020. The discharge to assess scheme for Covid-19 has meant a focus on lowering patient numbers in hospital, which has reduced the involvement of social care prior to discharge. Further work is needed alongside Health in reviewing these practices There was an increase in the average weekly client numbers from 1,880 per week in 2019/20 to 2,140 in 2020/21. As at end of July 2021, there were on average 2,400 home care clients with an average package of £260 per week.

- The average cost per Service User has also risen due to increased hours being commissioned, rather than any significant change in pricing. Home care rates are fixed for the year by location and average rates have been stable over the recent 18 months other than at the times of the inflationary uplift. Since the pandemic the average weekly hours have risen from 12.0 per service user to around 13.5.



- Supported Living (£4.6m) - high cost complex packages relating to a small number of Transforming Care service users being discharged from hospital settings in the community are expected to cost £3.5m. Along with increased hours being commissioned over the Covid-19 period for the remaining service users.

- Residential Care (£3.0m) - additional average cost of care packages including transitions from Children's services(£0.9m) and Covid-19/price costs (£5.3m). Over the last 12 months there has been a significant increase in the number of placements requiring a Supplementary Needs Allowance and price increases in addition to basic fee rates which has increased the average cost of care. It is likely that these costs will be an ongoing issue and work is being undertaken to understand the basis for these which could include reduced occupancy. These are offset by NHS discharge income of £3.2m.

- Residential Care Income (£1.9m) - as a result of Covid-19 the chargeable number of residential service users has declined. In addition to this there is an ongoing trend of lower residential service users from the Target Operating Model (TOM) project is moving them into Homecare.

34. There has been additional Community Income of £3.7m as a result of the shift of service users into Non-Residential Services following Covid-19, the volume of chargeable service users has increased compared to previous years. In addition, the review of NHS Covid-19 funded service users has increased the number of chargeable service users on the charging run. The income surplus is forecast to be £1.5m at this stage. Health income is also forecast to overachieve by £2.2m overall. New Supported Living clients have increased income by £2.2m, largely offsetting the additional expenditure incurred for these clients.

35. An action plan to manage the overspend is in place which is overseen by the departmental management team and includes:

    - Reviewing all service user's packages that have commenced or changed since April 2020 commencing with Homecare.
    - Increasing the capacity of the reablement service leading to more service users receiving this service upon hospital discharge, in turn leading to better and more cost-effective longer-term outcomes.

- Reviewing residential care packages over and above the standard residential banded rates which currently equates to £5m of additional annual expenditure.
- Reviewing high cost packages to see whether health funding towards the package applies. To date £0.4m has been realised.
- Working with NHS partners to help improve the discharge pathway including reviewing funding arrangements.
- Ensuring financial and funding assessments are undertaken to close the current gap of service user income of £0.2m (residential client income has a shortfall of £1.7m but this is offset by an additional £1.5m of non-residential client income)
- Reviewing internal processes and improving management controls to avoid high cost commissioning.

36. As the approach to Covid-19 changes nationally, such as the Discharge to Assess scheme, which is expected to end in September, there may be further adverse impacts on the department and demand led commissioning should the funding end. The Department is currently discussing funding pressures with NHS partners and how Covid-19 related costs can be relieved.

37. These costs are offset by a £3.5m underspend from staffing, overhead and other budgets. This includes an additional Better Care Fund contribution agreed for the year of £1m.

38. The Infection Control and Rapid Test Grant (£6.6m) continues in 2021/22 and provides support to residential, homecare and other providers that meet the strict grant conditions.

39. Whilst there is significant activity taking place to reduce the current forecasted overspend the results of these actions are not likely to be immediate. As a result, it is not expected that overspend position will only be partially reduced within the current financial year.

Public Health

40. The department is forecasting to be on budget. There are minor net underspends of £20,000 which will be transferred to Public Health earmarked fund.

Environment and Transport

41. A net underspend of £1.4m (1.7%) is forecast.

42. The main reasons for the underspend are reduced demand for Adult Social Care and SEN transport in Passenger Fleet (£0.6m), additional developer funding as they begin to increase the rate of mobilisation now that lockdown is easing (£0.5m), additional savings arising from a review of bus and taxi contracts during the summer (£0.2m) delays in the announcement of the Hybrid Bill stalling HS2 delivery (£0.2m).

43. These underspends are partially offset by a net overspend of £0.1m on Waste budgets arising from increased waste being sent directly to landfill (£1.1m) net of additional material income from dry recyclables (£0.2m) and savings on Haulage and Waste Transfers (£0.3m) and Waste Treatment (£0.5m).

Chief Executive's

44. The Department is forecasting a slight net underspend of £20,000 which is mainly due to staffing vacancies in Democratic Services (£108,000) offset by additional expenditure on Coroners (£84,000).

Corporate Resources

45. Overall the Department is forecasting a net overspend of £0.9m (2.7%).

46. There is a £1.6m forecast overspend on Commercial Services, primarily related to the continuation of difficult trading conditions and losses of income due to continuing Covid-19 restrictions. Key examples are the continued delays to opening Beaumanor Hall (£0.4m), lower volumes in the School Food Service and reduced scope for development activity. Mitigating action has been taken in the form of furloughing staff and accessing the governments sales, fees and charges grant funding scheme but both are available to a much lesser extent this year.

47. There is a forecast underspend of £0.5m on Information and Technology, mainly relating to vacant posts and reduced printing expenditure.

Central Items

48. Capital Financing - £1.1m increased contribution to the capital programme. This relates to the use of additional proceeds from the 2019/20 (75%) Business Rates Pilot becoming available in 2021/22 (see below). The additional funds will be used to support the capital programme and reduce the overall funding required.

49. Bank and other interest - £1m underspend. Additional interest income is forecast from the returns of the £20m the Council invested in Private Debt, through the Corporate Asset Investment Programme. These investments have started to be repaid resulting in the investment and interest returns having been received.

50. Contribution to the budget equalisation earmarked fund, has been increased by £3.7m to match the forecast increase in the DSG High Needs deficit mentioned earlier in the report. This is needed due to the cashflow impact of the additional expenditure.

51. Inflation Contingency (£12.2m, unallocated balance £7.1m). The contingency is currently projected to be required in full. The position on a number of key requirements, such as the annual pay award and energy price increases should become clearer as the year progresses. The latest offer from the Local Government Employers would exceed the MTFS assumption by £2.2m.

52. Covid-19 Budget (£28.3m). At this stage no release of this one-off budget has been projected.

53. MTFS Risks Contingency (£8m). At this stage no release of the contingency has been assumed in the projection.

Business Rates

54. Additional Business Rates income of £2.4m is forecast in 2021/22, based on the latest information from NNDR1 forms and forecast section 31 grants. Of this £1.1m relates to the balance arising from the 2019/20 (75%) Business Rates Pilot, which will be used to provide additional funds for the capital programme.

55. The provisional outturn position of the 2020/21 Leicester and Leicestershire Business Rates Pool shows a total Levy of £9.5m; the final position is expected to be reported in November, after the completion of the external audits. Similarly, monitoring of the 2021/22 Pool is being undertaken, with the first exercise for quarter one showing a projected Levy of around £11.5m.

Council Tax

56. The 2021/22 revenue budget included a provision of £9m for the potential impact of Covid-19 on levels of council tax (and business rates) funding. At present it is not possible to accurately assess the levels of reductions in the funding streams, particularly as Government funding for furlough does not end until 30 September and similarly some sectors will receive business rates relief until 31 March 2022. The full impacts of unemployment and business closures are likely to be seen over the remaining months of this financial year and in 2022/23. However, £2m of the provision has been released at this stage as it looks unlikely that the full provision will be required.

57. As referred to above regarding business rates, the District Councils are also providing data on council tax and a clearer picture should emerge over the coming months and the provision will be re-assessed accordingly.

Overall Revenue Summary

58. At this relatively early stage there is a forecast net overspend of £12.0m but this is uncertain due to not being able to fully assess the ongoing impact of the pandemic. This position will be updated as more information is known during the financial year.

59. The 2021/22 outturn position is planned to be closed by the use of the Covid Budget.

CAPITAL PROGRAMME

60. The current four year capital programme totals £503m. Discretionary funding is £232m, including £143m of internal borrowing through temporary use of cash balances, repayment cost £6m per annum.

61. Due to specific and significant changes to a number of schemes, the four year capital programme has been reviewed and updated for the latest known position in respect of

costs, spend profiles and changes in grant funding. However, it is likely that further pressures, relating to global and local supply chains, will emerge, especially as the MTFS is refreshed over the coming months and extended to cover the 2025/26 financial year.

62. The revised 4-year programme is summarised below and shown in detail in Appendix C.

Capital Programme Expenditure 2021-25	Original MTFS 2021-25 Programme £000	Outturn adjustments (from 20/21) £000	Updated MTFS 2021-25 Programme £000	Revised MTFS 2021-25 Programme £000	Overall Change £000
Children & Family Services	84,421	17,779	102,200	105,882	3,682
Adults and Communities	24,889	963	25,852	27,960	2,108
Environment & Transport	212,927	15,542	228,469	258,690	30,221
Chief Executive's	2,250	339	2,589	2,589	-
Corporate Resources	11,290	4,962	16,252	14,052	-2,200
Corporate Programme	120,990	7,074	128,064	129,626	1,562
Total	**456,767**	**46,659**	**503,426**	**538,799**	**35,373**

Capital Programme Resources 2021-25					
Grant Funding/ Specific Contributions	250,271	21,301	271,572	274,762	3,190
Discretionary Funding (including borrowing)	206,496	25,358	231,854	264,037	32,183
Total	**456,767**	**46,659**	**503,426**	**538,799**	**35,373**

63. Overall, the net funding required for the programme has increased by £32m. This comprises an increase in programmed expenditure of £35m offset by an increase in grant funding of £3m.

64. Taking into account the benefit of additional expected capital receipts of £9m, the revised position will increase the overall funding shortfall of the capital programme to £166m (from £143m) which will be funded from further borrowing. Due to the overall levels of cash balances it is expected to be possible in the medium term to fund the increase through internal borrowing rather than raising external loans. There will, however, still be a cost of around £1m p.a. in Minimum Revenue Provision and interest lost on investments that will need to be added to the MTFS to fund the additional borrowing. The greater the level of the shortfall on the capital programme, the greater the exposure to the risk of interest rate rises in the future as the availability of cash balances is not entirely within the Council's control. Whilst in the short term interest rate rises are unlikely, when looking at increased borrowing, the impact is potentially over many

decades. If external borrowing was required to fund the entire £166m gap, the cost, based on current interest rates would be about £9m per annum.

65. The key changes are described below.

Children and Families

66. The programme has increase by £3.7m. £2m relates to the addition of a children's social care investment plan (C-SCIP) scheme to develop an additional 12 residential care places over 4 properties. This is subject to business case justification, including successful confirmation of grant funding to cover half of the costs. The remaining increase relates to an increased allocation for school places, funded by basic needs grant.

67. The proposed contribution of £2.4m to purchase a property for additional Special Educational Needs and Disability (SEND) provision that was proposed in a report to the June Cabinet has been removed given that the development is no longer proceeding.

68. Further SCIP schemes are likely to be proposed. These will be subject to business case and funding availability, as such will be further reviewed as part of the 2022-26 MTFS process.

69. The only element that impacts on discretionary funding relates to the £1m cost of the residential care places not covered by grant.

Adults and Communities

70. Overall there is an increase of £2m on the departmental programme. This all relates to increased expectations of the level of disabled facilities grant available. It therefore has no impact on the discretionary funding requirement for the Authority.

Environment and Transport

71. The programme has an overall increased requirement of £30m. All this will be required to be funded from the Council's discretionary funding.

72. The increase relates to an upwards reassessment of the cost of delivering the Melton distributor road schemes. Significant work has been undertaken reviewing these schemes, including the use of independent external consultants (Atkins, Faithful & Gould) to do a detailed assessment of the way schemes are costed, including the treatment of risk and uncertainty. The key factors in driving the significant cost increase from original estimates are:
    a. insufficient contingency for inflationary increases (materials, contractors etc) especially given the most recent indicative price rises for e.g. steel and shortage of civil engineering skills given other competing priorities nationally such as HS2
    b. under provision for risks/uncertainty which have grown as the quantified risk register has been developed

c. under provision for optimism bias (not permitted to be included in original business case assessments)
d. expansions in scope compared to initial scheme.

73. The consultants advocate ‘three-point estimates’ for schemes which reflect a best case, most likely and worst case position, rather than using a single point estimate (budget). This is due to the significant uncertainty of delivering large infrastructure schemes, especially in advance of a target price being received and a contract issued.

74. It is difficult to plan a capital programme with a significant range estimate on schemes; a recommended approach is to provide an allocation for ‘portfolio risk’ within the programme. The portfolio risk allocation would cover a proportion of potential adverse impacts that would affect all schemes such as excess inflation due to shortage of materials or a shortage of available contractors/scheme delivers due to the wider demands on the market. This approach works best when it is applied to several schemes, so that there is an overall balance between schemes under and over spending their portfolio risk assessment. The existence of portfolio risks does not eliminate the risk of cost escalations over and above the budget and may not cover all potential issues that may arise. However, over enough schemes and given enough time for it to establish, it should provide a way help to mitigate the uncertainty. The overall effect is less schemes in the programme but it provides a better approach for managing the programme to reduce the risk of unexpected cost pressures for those schemes where significant uncertainty and long lead times mean that cost forecasting is very challenging.

75. Through the budget monitoring process, risks would be identified which would point to the need to utilise a proportion of the portfolio risk allocation. This would be to cover those issues such as those referenced in the previous paragraph and would need to be based on clear evidence that such a scenario has arisen. This would necessitate a review of the portfolio risk allocation to ensure that it remained sufficient for the scheme risks present at the time. It is recommended that decisions on when money from the portfolio risk allocation is transferred to a specific project are taken by the Director of Corporate Resources following consultation with the Cabinet Lead Member for Resources.

76. The schemes for which a portfolio risk allocation is needed are those which are highly complex and difficult to predict costs or external funding and are likely to span many years between initially appearing in the capital programme and actually being delivered. In addition to the Melton schemes, other potentials are the A511/A50 Major Road Network, Lutterworth East and Zouch Bridge. The delivery approach for these schemes is not sufficiently developed to assess the portfolio risk. They will be reviewed in the coming months and will feed into the overall MTFS refresh. It might also apply to a number of the schemes within the Corporate Asset Investment Fund (CAIF) but as the CAIF has a general capital programme provision quantified to take the overall Fund’s value up to £260m, this removes the immediate need to have a separate portfolio risk allocation for the CAIF. Therefore the intention is to only apply it to Highways schemes at this stage.

77. The overall level of portfolio risk for Highways schemes will need to be reviewed regularly to reflect how quantified risks change through the projects' lifecycle. This will be done through the financial monitoring process.

78. As a result of the work with consultants revised estimates (of the most likely) position have been made for the Melton schemes. For Melton North and East this revised estimate is £90.3m (including portfolio risk of £5m), For the Melton South the revised estimate is £43.1m (including portfolio risk of £5.6m – a higher proportional amount compared to the North and East scheme reflecting the scheme is at an earlier stage).

79. Overall this combined cost of £133.4m is £35m in excess of the £98.4m budget in the existing programme. The expectation was that after allowing from grant (DfT and Homes England) and S106 contributions from developers (albeit which would be received further down the line and would need to be cash flowed by the Authority) £11m would fall on the Authority's discretionary funding. So other things being equal this would increase the overall impact on discretionary funding to £46m. However, an additional £4m of LLEP funding has since been secured towards the cost of the North/East scheme. And also current estimates are an additional £7m of developer funding is available for the Southern scheme compared to initial estimates.

80. Therefore the updated assessment of what will fall upon council discretionary funding is around £35m, £24m more than allowed for within the previous budget. Furthermore, the level of risk (dependency on forward funding in advance of developer monies becoming available where agreements have not been put in place) has increased due to the assumption of a £7m expected increase in developer monies.

81. It is proposed that the portfolio risk element of the scheme costs are shown on a separate line to the scheme allocations. As it is only being applied to schemes in Environment and Transport for now, it sits as a line within the departmental programme. But as the concept evolves it might be that it is repositioned within the corporate programme. As mentioned above, subject to approval, this pot could only be reallocated to schemes by the Director of Resources following consultation with the Cabinet portfolio holder for resources under delegated responsibility.

82. Further work is now being undertaken with Newton Europe to review the wider approach to the management of large capital projects through the life cycle of the scheme. This work is currently being finalised and recommendations will be made and implemented in due course.

83. There is also a £4m reduction on the overall transport asset management programme due to a reassessment downwards of the expected grant funding that will be available over the MTFS period which will increase pressure on managing the overall road network and preventing further decline.

<u>Chief Executives</u>

84. No changes.

Corporate Resources

85. Overall the departmental programme has reduced by £2.2m. This is mainly due to the removal from the programme of the Sysonby Farm development. The scheme was in the programme with expenditure of £2.5m, matched by a grant from the Local Authority Accelerated Construction scheme. However, following review the more beneficial approach is for the site to be sold with minimal (£0.3m) site preparation costs which will be funded from the Council's discretionary resources. The sale which is dependent on the Melton North/East distributor road proceeding, will contribute to the Council's capital receipts. These will be used to reduce the overall funding gap on the Council's capital programme.

Corporate

86. The changes to the corporate programme are:

- The inclusion in the programme of £9.5m for the phase 3-4 developments at Airfield Farm, as approved by the Cabinet at the meeting on 23rd March 2021. £0.6m of funding has been transferred from the original requirement from phase 2 reducing the overall increase to £8.9m.
- The removal from the program of £7.4m for the industrial units proposed for Barrow Road Quorn, due to likely difficulty in receiving planning permission from Charnwood Borough Council
- The net £1.5m increase from the 2 schemes above has been taken from the Corporate Asset Investment Fund's 'asset acquisition/new provision' pot. Hence the position on the discretionary funding requirement is neutral

Slipped schemes

87. An updated has been provided around some of the key schemes within the capital programme which have been subject to slippage, to understand the reasons, the impact and where lessons can be learnt in the Council's approach to scheme management going forward.

88. This information is presented in Appendix D.

Summary and outlook

89. The recent review of the capital programme has led to an increase in the four-year programme of expenditure by £35m. The change includes an increase in discretionary funding required of £32m (the remaining £3m arising from additional grant) which will increase the need to use internal cash balances, adding around £1.3m per annum to the revenue budget.

90. The Government continues to indicate that it intends to invest in infrastructure to support economic recovery and build out of recession. Furthermore, there is some indication of a move away from the use of competitive bid processes to secure such funding which can lead to potentially wasted investment in advanced design and related activity. The

creation of County Deals, and an agreement of funding arrangements to cover a number of years, would be a major positive development in this direction. However, funding uncertainty and competitive bidding approaches will not be completely removed, and going forwards there are still likely to be difficult decision to be made about which capital schemes are progressed given the wider financial pressures

91. The emerging infrastructure requirements from District Councils' local plans are going to present an increased demand on the County Council's resources if infrastructure needs to be funded in advance and at risk of funding being received from developers. Furthermore there are a number of infrastructure requirements being identified which are required to kick start the East Midlands Freeport. Again there will be pressure on local authorities to fund up front in advance of retained business rates resources becoming available. Approximately £0.5m is required to get to the end of the business case stage. This will be repaid through future business rates. However, as the Freeport is not designated this funding risk rests with the County Council. Further demands around local infrastructure and site set up may lead to further forward funding requirements.

Corporate Asset Investment Fund

92. A summary of the Corporate Asset Investment Fund (CAIF) position as at quarter 1 for 2021/22 is set out below:

Asset Class	Opening Capital Value	Capital Incurred 2021/22	Net Income YTD	Forecast Net Income FY	Forecast Net Inc. Return FY
	£000	£000	£000	£000	%
Office	52,411	0	862	2,962	5.7%
Industrial	24,244	0	113	1,370	5.7%
Distribution	457	0	8	17	3.6%
Rural	28,584	0	104	416	1.5%
Other	4,688	0	41	263	5.6%
Development	36,035	34	-29	-55	-0.1%
Pooled Property	24,305	0	205	820	3.3%
Private Debt[1]	16,640	-1,425	712	750	4.8%
TOTAL	**187,364**	**-1,391**	**2,016**	**6,543**	**3.5%**

1. Delayed distributions last year but expecting an increase this year so income likely to be understated

93. Overall the fund is forecasting to achieve a 3.5% net income return for 2021/22. The direct property portfolio (excluding developments, pooled property and private debt) has a forecast net income return of 4.6%

94. The directly managed property portfolio is expected to perform in line with expectation over 2021/22. The office asset class now holds the LUSEP development alongside five other assets and is expected to return 5.7% or around £1m in net income.

95. The Council's exposure to the distribution sector is low risk due to the type of assets held. As such, performance is expected to remain in line with last year. The rural sector is

largely unaffected by Covid-19 and is currently expected to return around £400,000 net income - about 1.5% based on the capital value of the rural portfolio. The diverse assets held in the other asset class offered from protection from Covid-19 last year. Similar returns are expected this year with a forecast net income return of 5.6%. The Citroën Garage within this class is the largest holding and contributes the majority of the forecast net income.

96. Pooled property income is similar to last year and is forecast to return 3.3% from a diverse portfolio comprising of four institutional property manager funds. Private Debt repayment of capital has totalled £1.4m in the first quarter alongside £0.7m in interest payments. Interest payments will reduce over time as capital is returned (loans repaid). The private debt investment is invested in a product that is primarily composed of senior secured debt and is highly diversified. This offers considerable downside protection to the capital invested.

97. It should be noted that the above table excludes in year capital growth which is assessed annually as part of the asset revaluation exercise and reported in the annual CAIF performance report.

MTFS Refresh 2022-2026

98. The MTFS will be refreshed over the autumn, with a similar approach taken to that followed in previous years, namely continued investment in organisational change, planning and robust delivery of savings and a realistic allowance for growth. However, as mentioned previously this will be done in the context of greater uncertainty than in previous years. The potential longer term adverse impact of the Covid-19 pandemic on local businesses are likely to have an upward impact on service demand at the same time as reducing the Council's core income levels.

99. In addition to the usual MTFS planning process, the continuing difficult financial position in the current year also requires the Council to keep in place measures to control levels of expenditure introduced last year. The controls incorporate greater departmental and corporate oversight in order to:

- Support consistent implementation
- Identify opportunities across services/departments
- Ensure shared understanding of implications.

100. However, this oversight was not intended to replace the financial responsibilities that people have in their roles. For the spend controls to be successful, continued ownership by everyone who has a part in spending or generating income is vital.

101. As a reminder the controls measures cover:

- Targeted recruitment controls to restrict non-essential hiring including a focus on agency, consultants and specialist advisors

- Procurement controls to ensure greater commissioning support unit input into contract renewal/extension, use of frameworks and exceptions
- Greater scrutiny of external expenditure
- Limited approval of new projects to essential schemes only
- Controls on grants to ensure that wherever possible they are used to cover existing spend pressures rather than for new service initiatives.

102. These controls were put in place until the following conditions are met:

- Any reduction to the general fund balance required to cover this year's financial pressures is repaid
- The MTFS gap is at an acceptable level
  - First 2 years balanced
  - Final 2 years at a manageable level
- Good certainty of savings delivery, especially for the next 2 years
- Local government outlook becomes clearer – linked to the Autumn Comprehensive Spending Review (CSR).

103. It should be noted that the implementation of spend controls is not service cuts, although it should influence how services are delivered. The long-lasting impact of the Covid-19 crisis (e.g. reduced Council Tax) inevitably means that new savings will be required leading to some permanent reductions in non-essential spend. Although future savings will not be prioritised based on where spend was reduced through the controls, managers will need to consider the potential to make permanent changes to their services.

104. The gap in the existing MTFS is expected to have increased significantly as a result of the pandemic. As the Council rolls forward the MTFS to include 2025/26 it is very likely that there will a further significant increase in the gap in that year as well. The MTFS refresh exercise over the autumn and winter, including the outcome of the Government's CSR, will enable a better understanding on the scale of this gap.

National Position

105. Latest economic forecasts suggest that the UK economy will recover more quickly than previous estimates. Growth of 7.2% in GDP is expected in 2021 and 5.5% forecast for 2022 and expected to have returned to its pre-pandemic level by early 2022.

106. The imminent withdrawal of the Coronavirus job retention scheme means that unemployment is expected to peak at the end of 2021 at 6.1%. There are expected to be further upward pressures on inflation but, whilst it might exceed the Bank of England's 2% target periodically, on average it will still be contained within the 2% envelope.

107. The office for budget responsibility estimated that during the 2020/21 financial year around 17% of GDP was spent on support for businesses and households and wider measures to manage the impact of the pandemic. Gross public debt is expected to peak at nearly 150% of GDP in the current year. So the impact of this will be felt for many years to come. Tax increases have been signaled by the Government from 2022 in terms of personal taxation (freezing of income tax brackets) and increases in corporation tax from 2023.

108. Given that the tax rises will be needed to manage the impact the Coronavirus pandemic has had on the economy, prospects for increased levels of funding for local government seem remote. In July, the Chancellor warned ministers that the 2021 comprehensive spending review would be a ‘tough spending round’.

109. Furthermore some of those key reviews required to resolve underlying structural issues in the way certain services are funded, especially social care and special education and disability needs where significant increases in demand are putting pressures on local authority budgets across the country are unlikely to reach a conclusion, and measures put in place to address the issues, any time soon.

110. All the indications are that this will be the twelfth austerity budget in a row. The Council has already made savings of £232m (excluding DSG), to the end of 2021/22. Therefore, the identification of new savings will be very challenging and is likely to require much more radical service transformation.

Leicestershire Position

111. There will need to be a continued focus on performance and productivity across the Council’s services to improve the way it is measured and understood. This is likely to require some investment to ensure meaningful and reliable management information is available.

112. It is important that the savings that are already under consideration are progressed and delivered on as soon as possible. Furthermore there will be a need to add in further savings as part of the MTFS refresh in the autumn.

113. Crucial in progressing this is the need to push on crystalising the Savings under Development. The latest position on these is included in Appendix E.

114. The existing MTFS has a gap of £10m in 2023/24 rising to £23m in 2024/25. This is likely to grow by between £10m and £20m by the time of the full MTFS refresh in the autumn due to the ever increasing growth pressures on key services such a social care and SEND coupled with continued concerns over the levels of the taxbase for council tax and business rates in the medium term compared to previous estimates. Also the growing pressures on the financial programme and the associated increased borrowing (with a growing likelihood that some of this will need to be external, will add to the gap on the revenue budget).

115. The main objective for refreshing the MTFS will be to re-establish the Council’s strong financial position. And until the position is clearer on funding reforms and funding of legislation, changes will need to be based on prudent financial assumptions.

Planning Framework

116. The next three key Government announcements will be;

- Comprehensive Spending Review – autumn 2021.
- Autumn Budget Statement anticipated in November.
- Local Government Finance Settlement expected mid/late December.

117. The broad MTFS timetable is:

- September to November 2021 – refresh growth, savings and capital including consideration by Lead Members.
- December 2021 – the Cabinet is requested to approve the draft MTFS for consultation.
- December 2021 – receipt of the Local Government Finance Settlement
- January 2022 – consultation on the draft MTFS, including Overview and Scrutiny Committees and the Scrutiny Commission.
- February 2022 – the Cabinet is requested to approve the final draft MTFS for submission to the County Council.
- February 2022 – County Council is requested to approve the MTFS for 2022/23 to 2025/26.

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

118. 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.

119. 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.

120. 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.

<u>Crime and Disorder Implications</u>

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

<u>Environmental Implications</u>

122. The MTFS includes schemes to support the Council's response to climate change and to make environmental improvements.

Partnership Working and Associated Issues

123. 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

124. 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 Cabinet – 22 June 2020 – 2020/21 Provisional Revenue and Capital Outturn
http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6444&Ver=4

Report to County Council -17 February 2021 – Medium Term Financial Strategy 2021/22 to 2024/25
http://politics.leics.gov.uk/documents/s159779/Revised%20Cabinet%20Report%20MTFS%202021-25.pdf

Appendices

Appendix A: Revenue Position as at Period 4, 2021/22
Appendix B: Revenue budget major variances
Appendix C: Revised Capital Programme 2021-25
Appendix D: Slipped Capital Schemes
Appendix E: Savings Under Development

APPENDIX A

REVENUE BUDGET MONITORING STATEMENT 2021/22
(AS AT PERIOD 4)

	Updated Budget £000	Projected Outturn £000	Difference from Updated Budget £000	%	
Schools Budget					
Schools	78,046	75,826	-2,220	-2.8	
Early Years	35,855	36,165	310	0.9	
DSG Funding	-113,901	-113,901	0	0.0	
	0	-1,910	-1,910		
Earmarked fund - start of year			*-6,415*		
Earmarked fund - end of year			*-8,325*		
High Needs	82,605	91,935	9,330	11.3	
Dedicated Schools Grant (DSG)	-82,605	-82,605	0	0.0	
	0	9,330	9,330		
Earmarked fund - start of year			*17,512*		
Earmarked fund - end of year			*26,842*		
LA Budget					
Children & Family Services (Other)	89,087	88,857	-230	-0.3	GREEN
Adults & Communities	156,525	170,005	13,480	8.6	RED
Public Health *	-1,323	-1,323	0	n/a	GREEN
Environment & Transport	81,355	79,945	-1,410	-1.7	GREEN
Chief Executives	12,458	12,438	-20	-0.2	GREEN
Corporate Resources	34,089	35,019	930	2.7	RED
DSG (Central Dept. recharges)	-2,285	-2,285	0	0.0	GREEN
MTFS risks contingency	8,000	8,000	0	0.0	GREEN
Covid-19 budget	28,300	28,300	0	0.0	GREEN
Contingency for Inflation	7,106	7,106	0	0.0	GREEN
Total Services	413,312	426,062	12,750	3.1	
Central Items					
Financing of Capital	19,000	19,000	0	0.0	GREEN
Revenue funding of capital	2,500	2,500	0	0.0	GREEN
Revenue funding of capital - use of BR Pilot gain (see below)		1,050	1,050	n/a	GREEN
Central Expenditure	3,049	2,899	-150	-4.9	GREEN
Central Grants and Other Income	-43,508	-44,508	-1,000	2.3	GREEN
Total Central Items	-18,959	-19,059	-100	0.5	
Contribution to budget equalisation earmarked fund	4,000	7,700	3,700	92.5	RED
Contribution to General Fund	1,000	1,000	0	0.0	GREEN
Total Spending	399,353	415,703	16,350	4.1	
Funding					
Business Rates - Top Up	-40,346	-40,346	0	0.0	GREEN
Business Rates Baseline / retained	-24,181	-25,261	-1,080	4.5	GREEN
S31 Grants - Business Rates	-4,900	-5,170	-270	5.5	GREEN
Business Rates - balance of 19/20 Pilot gain		-1,050	-1,050	n/a	GREEN
Council Tax Collection Funds - net deficit	1,574	1,574	0	0.0	GREEN
Council Tax Precept	-336,934	-336,934	0	0.0	GREEN
LCTS grant	-3,566	-3,566	0	0.0	GREEN
Provsion for impact of Covid-19 on funding	9,000	7,000	-2,000	-22.2	RED
Total Funding	-399,353	-403,753	-4,400	1.1	
Net Total	0	11,950	11,950		

* Public Health funded by Grant (£25.5m)

Underspending / on budget	GREEN
Overspending of 2% or less	AMBER
Overspending of more than 2%	RED

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APPENDIX B

Revenue Budget 2021/22 – forecast main variances

Children and Family Services

Dedicated Schools Grant

A net overspend of £7.4m is forecast. The main variances are:

	£000	% of Budget
DSG High Needs Block (HNB) earmarked fund drawdown	**5,650**	**n/a**
The DSG budget includes an estimated HNB drawdown of £5.7m as the forecast in year overspend.		
Special Educational Needs	**3,680**	**5%**
Increased demand on the budget. The SEND Capital Programme is developing new resource bases with the aim of reducing the reliance on expensive independent sector places. During 2019/20 and 2020/21 a number of these bases welcomed their first cohort of students, with more places filled during the 2021/22 academic year. The increase in demand however has resulted in these places being filled with new demand as opposed to having the desired impact on existing numbers. Due to set-up costs the full effect of the programme won't be seen until future years. Additionally, the numbers of pupils in mainstream settings that receive top-up funding is rising rapidly.		
Schools Growth / Budget Allocations	**-2,220**	**n/a**
This funding has been earmarked to help meet the revenue costs associated with new schools and also for meeting the costs of some funding protection for schools with falling rolls as a result of age range change in other schools. The underspend will be transferred to the DSG earmarked fund to fund pupil growth in future years.		
Early Years / Nursery Education Funding	**310**	**1%**
The payments to providers are expected to exceed the budget due to increased numbers, based on the Summer Term 2021. The impact this may have on DfE grant for 2021/22 is not known at this stage, nor by how much the DfE grant may be reduced in respect of 2020/21 in relation to lower numbers last year.		
TOTAL	**7,420**	**n/a**

Local Authority Budget

The Local authority budget is forecast to underspend by £0.2m (0.3%). The main variances are:

	£000	% of Budget
Children's Social Care Staffing	**970**	**4%**
On a whole whilst good progress has been made in regards to the various recruitment and retention activities across the department, there are currently still isolated issues within certain social care localities. In some localities it has become increasingly difficult recruiting and retaining experienced Social Workers, Senior Practitioners and Team Managers. The prolonged period of instability has led to higher caseloads and use of agency staff; this has further impacted on retention of experienced staff.		
Children's Social Care Placements	**-1,200**	**-3%**
Looked after Children in Care (LAC) numbers increased by 8% last financial year to 705 as at 1st April 2021. The budget for 2021/22 had assumed a further 8% increase in LAC numbers, however currently LAC numbers for Leicestershire stand at 677. The subsequent impact has seen current placements numbers across various provision types at a lower level than budgeted for.		
TOTAL	**-230**	**n/a**

Adults & Communities

The Department has a net forecast overspend of £13.5m (8.6%). The main variances are:

	£000	% of Budget
Homecare	**10,520**	**52%**
The budget is based on an average weekly cost of £213 per SU and 1950 SU per week on average. The budget was prepared assuming that client numbers and average hours per client would return to pre Covid-19 levels by April 21, both having increased due to the hospital discharge scheme. However this reduction has not occurred as the discharge scheme is now continuing. At the start of the year there were 2,310 service users. An Action Plan has been developed by DMT to address the overspend and this includes prioritising the reviews of packages for home care clients and improved commissioning practices. Health partners have been advised that the current levels of commissioning are unsustainable for LCC. It is expected that any reductions will only be visible for pay runs from late August onwards, the forecast will reflect these once they occur. The average weekly cost for 2021/22 is forecast to be £262 and the average number of SU over the year is forecast to be 2,370. The costs are also offset by £0.8m of income from Health for home care packages funded from the discharge scheme.		
Residential Care and Nursing Income	**4,950**	**8%**
The net forecast overspend arises from additional service users costs mainly due to Covid-19 (£5.3m),transitions costs from children's services (£0.9m),and loss of Income as a result of Covid-19 due to the decline in the chargeable number of service users (£1.9m). These additional costs will be offset by anticipated additional income in the region of £3.2m from the NHS discharge Covid-19 fund. There are currently an average of 2,390 service users with an average gross care package cost of £840 per week .		
Supported Living Commissioned Services	**4,615**	**23%**
There are approximately 15 high cost service users that are increasing the pay run by £67k per week which are currently being investigated to see whether they qualify for Health Funding (£3.5m). In addition prior year arrears of £600k and voids of £90k are being forecast. In addition there will be further growth of new service users from Residential Care to Supported Living through TOM project/MH Accommodation Moves. Increased package costs are also being incurred from CLC bases being closed and additional support being commissioned for Supported Living service users (£400k).		
Care Pathway - Older Adults Countywide Team	**305**	**5%**
Overspend is mainly due to additional costs for independent Best Interest Assessor's for Deprivation of Liberties (DOLs) and other work.		
Early Intervention & Prevention	**240**	**29%**
Increased contribution to Lightbulb programme including an invoice relating to Q4 2020/21 for £93k .		
Strategic Commissioning & Quality	**175**	**11%**
Overspend largely due to increased temporary staffing and unbudgeted Covid-19 expenditure.		
Heads of Service & Lead Practitioners (Learning Disabilities)	**120**	**25%**
Additional staffing relating to Temporary Practice Educator and other posts not budgeted for.		
Communities and Wellbeing	**110**	**2%**
Overspend relates to reduction of income due to Libraries being closed as a result of Covid-19 and reduced Adult Learning income (25%) and general room hire (50%) due to Ways of Working Project.		
Community Income	**-3710**	**-17%**
As a result of the shift of service users into Non-Residential Services following Covid-19, the volume of chargeable service users has increased compared to previous years. In addition the review of NHS Covid-19 funded service users has increased the number of chargeable service users on the charging run. The income surplus is forecast to be £1.5m at this stage. Health income is forecast to overachieve by £2.2m overall. New Supported Living clients have increased income by £2.2m, largely offsetting the additional expenditure incurred for these clients. New Learning Disability Pool direct payments service users have generated £250k of additional income and day care services income is higher by £100k. Offsetting these are home care recharges under HTLAH, and income from the Non Weight Bearing pathway for home care, which in total are £350k below budget. These two areas are likely to be due to new service users receiving funding instead from the hospital discharge scheme.		
Better Care Fund (BCF) contribution	**-995**	**-5%**
Additional BCF funding was agreed during the year for social care protection and other schemes.		

Supported Living, Residential and Short Breaks	**-680**	**-14%**
Underspend from closure of Residential and Short Break bases following lockdown and the vacancies that are being held pending an action plan.		
Community Life Choices (CLC) / Day Services Team	**-675**	**-28%**
Underspend from closure of Community Life Choices (CLC) bases following lockdown and the vacancies that are being held.		
Community Life Choices (CLC) commissioned services	**-500**	**-8%**
Underspend following lockdown and the closure of CLC bases within the independent sector and service users either receiving no service or a vastly reduced service. Discussions are ongoing on a potential new CLC framework.		
Aids, Adaptations and Assistive Technology	**-270**	**-16%**
Underspend due to staffing vacancies and reduction in expenditure on equipment due to Covid-19.		
Care Pathway - Working Adults Team (LD)	**-195**	**-6%**
Underspend due to staffing vacancies and challenges recruiting.		
Care Pathway - Working Adults Team (OA/MH)	**-135**	**-6%**
Underspend due to staffing vacancies and challenges recruiting.		
Heads of Service & Lead Practitioners (OA/MH)	**-115**	**-5%**
Underspend due to staffing vacancies.		
Other variances (under £100k)	**-280**	**n/a**
TOTAL	**13,480**	**n/a**

Public Health

The Department has a projected balanced position. The main variances are:

	£000	**% of Budget**
Public Health Earmarked Fund	**20**	**n/a**
Net underspend on Public Health budgets to be offset by a contribution to the Public Health earmarked fund. Uncertainties on future grants and Covid-19.		
Other variances	**-20**	**n/a**
TOTAL	**0**	**n/a**

Environment and Transport

The Department is forecasting a net underspend of £1.4m (1.7%). The main variances are:

	£000	**% of Budget**
Landfill	**1,145**	**13%**
Overspend due to: - £200k due to 2,000 additional tonnes arising to landfill (related to Covid-19) - £300k more resulting from direct deliveries to landfill (offset by lower bulk haulage costs - see below) - £460k increased tonnage from MBT (Mechanical Biological Treatment) contract (see corresponding underspend below) - £90k due to an under reserve at 2020/21 year-end - £90k error in calculation of the gate fee The forecast is subject to the ongoing improvements in the Covid-19 situation and any further lockdowns could increase waste volumes to landfill.		
Passenger Fleet	**-620**	**n/a**
Forecast underspend due to ongoing reduced demand for services, particularly Adult Social Care services (and some SEN). This has resulted in a large number of vacancies for drivers and escorts. Future demand for ASC services and traded work is difficult to predict (relies on easing of restrictions, both nationally and within LCC, and on service user's appetite to resume transport).		

H & T Network Staffing & Administration	**-510**	**-59%**
Underspend due to additional S38 & S184 infrastructure income as developers were increasing rates of development as lockdowns eased. In addition there are a number of vacant posts in traffic and signals contributing to the underspend.		
Treatment & Contracts	**-420**	**-5%**
£460k underspend forecast due to lower tonnage through MBT (Mechanical Biological Treatment) landfill contract (corresponding overspend in landfill line above). This is partially offset by a £40k forecast overspend on RDF (Refuse Derived Fuel) due to increased waste tonnages.		
Haulage & Waste Transfer	**-300**	**-14%**
Forecasting £0.3m underspend due to more direct deliveries to landfill. Landfill will be £0.3m overspent as a result (see above).		
Dry Recycling	**-225**	**-11%**
Underspend forecast due to improved forecast on paper and card recyclable prices. Increased tonnages are anticipated, however this is offset by increased material income.		
Mainstream School Transport	**-205**	**-6%**
Underspend forecast due to savings achieved by review of bus and taxi contracts during summer 2021.		
Staffing & Admin Resourcing	**-185**	**-5%**
Underspend due to vacant posts currently not filled in the Highways Control team.		
H & T Staffing & Admin	**-175**	**-10%**
Underspend due to increased income received on Asset Management and Major Programmes for capital work carried out and recharged by agency staff.		
HS2	**-175**	**-42%**
Underspend due to work not progressing at anticipated speed as there has been a delay to Government announcements in respect of the approval of the Hybrid Bill.		
Other variances	**260**	**n/a**
TOTAL	**-1,410**	**n/a**

Chief Executive's

The Department is forecasting a net underspend of £20,000 (0.1%). The main variances are:

	£000	**% of Budget**
Coroner's Service	**85**	**8%**
Increase in the number of cases, partly due to Covid-19.		
Policy and Communities	**55**	**3%**
Overspend due to impact of job share during pandemic/recovery phase.		
Democratic Services and Administration	**-110**	**-8%**
Variance due to staff vacancies, no requirement for lease car and reduced travelling expenses.		
Other variances	**-50**	**n/a**
TOTAL	**-20**	**n/a**

Corporate Resources

The Department is forecasting a net underspend of £0.1m (0.3%). The main variances are:

	£000	**% of Budget**
Commercial Services	**1,600**	**-93%**
Continuation of difficult trading conditions, worsened by the impacts of Covid-19. Delays in lifting trading restrictions and social distancing requirements have had a significant impact on trading. This has continued into August. Mitigating action in the form of furloughing of staff has been taken.		
Leisure & Hospitality	**105**	**n/a**
Overspend is largely due to the newly opened Colliery Café at Snibston. Restricted opening of the broader site due to Covid-19 has impacted on trading at the café.		

Information & Technology	**-460**	**-4%**

Reduction in print costs (£154k) and vacant posts also impacting on project delivery.		
CAIF	**-120**	**5%**
Greater than anticipated income generated during first quarter of the financial year.		
Business Support	**-110**	**-12%**
Vacant supplies and recruitment drag.		
Strategic Property	**-95**	**-4%**
Vacant supplies and recruitment drag.		
Operational Property	**-80**	**-4%**
Staff vacancies held unfilled ahead of staff structure review.		
Other variances	**90**	**n/a**
TOTAL	**930**	**n/a**

Central Items - Central Expenditure budgets

These budgets are forecast to have a net underspend of £0.2m.

	£000	**% of Budget**
Financial Arrangements - ESPO surplus	**-110**	**n/a**
Latest estimate of 2020/21 share of surplus is higher than accrued for in 2020/21 accounts and 2021/22 latest		
Financial Arrangements - Enterprise Zone business rates income	**-70**	**n/a**
Income received relating to the Enterprise Zones in Charnwood and Hinckley & Bosworth.		
Other variances	**30**	**n/a**
TOTAL	**-150**	**n/a**

CHILDREN & FAMILY SERVICES - CAPITAL PROGRAMME 2021/22 to 2024/25

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
		MAIN GRANT FUNDED PROGRAMME					
Mar-25	69,837	**Provision of Additional School Places**	**27,216**	**23,321**	**5,300**	**14,000**	**69,837**
		SEND Programme					
Mar-22	1,588	Social Emotional Mental Health (SEMH) Units	1,588				1,588
Mar-22	500	SEMH Special School - LA Developed	20				20
Mar-24	9,200	SEMH Special School - Free School	200	1,000	8,000		9,200
Mar-22	500	Communication and Interaction Difficulty Units	485				485
Mar-23	3,000	Expansion of Special Schools	319	2,300			2,619
Mar-23	3,642	New/Expansion of Special School	1,030	2,612			3,642
							0
		Sub total - SEND Programme	**3,642**	**5,912**	**8,000**	**0**	**17,554**
Mar-25	11,250	Strategic Capital Maintenance	5,250	2,000	2,000	2,000	11,250
Mar-25	2,079	Schools Devolved Formula Capital	579	500	500	500	2,079
Mar-24	725	Schools Access / Security	325	200	200		725
Mar-22	300	Early Help	27				27
		Children's Social Care Investment Plan (SCIP)					
Mar-23	2,500	Assessment & Resi Multi-functional properties x 4	2,151	259			2,410
Mar-23	2,000	Residential Homes - 40 places	0	2,000			2,000
		Other Capital	**8,332**	**4,959**	**2,700**	**2,500**	**18,491**
		Overall Total	**39,190**	**34,192**	**16,000**	**16,500**	**105,882**

Future Developments - subject to further detail and approved business cases Further Children's Social Care Investment Plan (SCIP)					

ADULTS & COMMUNITIES - CAPITAL PROGRAMME 2021/22 to 2024/25

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Mar-24	3,730	Hamilton Court/Smith Crescent - NWL Development - Improved Service User Accommodation	250	1,431	1,500		3,181
Mar-25	17,788	Disabled Facilities Grant (DFG)	4,447	4,447	4,447	4,447	17,788
Mar-23	230	Changing Places/Toilets (Personal Assistance)	30	30			60
Mar-22	150	HART Rostering System	41				41
Mar-22	1,100	Hinckley, The Trees (refurbishment)	31				31
		Sub total - A&C various schemes	**4,799**	**5,908**	**5,947**	**4,447**	**21,101**
		Social Care Investment Plan (SCIP):					
Mar-25	5,500	Specialist Dementia Facility - Coalville	60	1,940	2,550	950	5,500
Jan-22	570	Loughborough - Ashby Court - Refurbishment	203				203
Mar-22	1,171	Anstey, Hollow Road Flats	90				90
Mar-22	327	Coalville, 286 Ashby Rd	42				42
Mar-23	1,024	SCIP - Additional Schemes to be confirmed - balance	0	1,024			1,024
		Sub total - SCIP	**395**	**2,964**	**2,550**	**950**	**6,859**
		Total A&C	**5,194**	**8,872**	**8,497**	**5,397**	**27,960**

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2021/22 to 2024/25

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
		Major Schemes					
Mar-25	85,300	Melton Distributor Road - North and East Sections	8,960	23,956	31,115	14,528	78,559
Mar-25	37,500	Melton Distributor Road - Southern Section	2,324	2,324	17,041	15,354	37,044
Mar-24	12,430	Zouch Bridge Replacement - Construction and Enabling Works	300	5,000	5,427		10,727
Jun-22	25,530	M1 Junction 23 / A512 Improvements	4,011				4,011
Mar-25	9,595	County Council Vehicle Replacement Programme	1,500	2,995	2,700	2,400	9,595
Mar-25	11,875	Advance Design / Match Funding	2,487	2,746	3,404	3,238	11,875
Mar-24	5,340	A511/A50 Major Road Network - Advanced design	368	942	2,429		3,739
Mar-22	10,152	Anstey Lane A46 (subject to £4.1m Leicester City contribution)	50				50
Mar-25	5,300	Melton Depot - Replacement	105	2,591	1,682	682	5,060
Mar-22	4,584	A42 Junction 13	34				34
Mar-22	4,035	Lubbesthorpe Strategic Employment Site Access	6				6
Mar-22	300	Croft Gully Scheme	2				2
Mar-22	325	Coalville Ashby Rd Hway works	188				188
Mar-25	10,600	Major Schemes Portfolio Risk	0	0	0	10,600	10,600
		Sub total - Major Schemes	**20,335**	**40,553**	**63,799**	**46,802**	**171,489**
Mar-25	44,080	Transport Asset Management	0	14,488	13,044	16,548	44,080
Mar-22	5,110	Capital Schemes and Design	5,110				5,110
Mar-22	407	Bridges	407				407
Mar-22	465	Flood Alleviation- Environmental works	465				465
Mar-22	1,899	Street Lighting	1,899				1,899
Mar-22	255	Traffic Signal Renewal	255				255
Mar-22	3,702	Preventative Maintenance - (Surface Dressing)	3,702				3,702
Mar-22	7,242	Restorative (Patching)	7,242				7,242
Mar-22	2	Public rights of way maintenance	2				2
Mar-22	318	Network Performance & Reliability	318				318
Mar-22	306	Cycleways - EATF	-12				-12
Mar-23	5,600	Hinckley Hub (Hawley Road) - NPIF	3,828	1,289			5,118
Mar-24	2,010	Safety Schemes	1,910	50	50		2,010
Mar-22	13	Highways Maintenance - IT Renewals & PROW	13				13
Mar-22		Externally Funded Schemes					0
		Sub total - Highways & Transport Schemes	**25,139**	**15,827**	**13,094**	**16,548**	**70,609**
		Environment & Waste					
Nov-22	5,500	Kibworth Site Redevelopment (Commitments b/f)	3,171	2,000			5,171
May-22	9,000	Waste Transfer Station Development (Commitments b/f)	7,587	1,000			8,587
Mar-22	500	Recycling Household Waste Sites - Works	500				500
Mar-25	1,715	Recycling Household Waste Sites - General Improvements	113	210	232	1,160	1,715
Mar-23	340	Mobile Plant	170	170			340
Mar-22	280	RHWS Drainage	280				280
		Total - Environment & Waste	**11,821**	**3,380**	**232**	**1,160**	**16,593**
		Total E&T	**57,295**	**59,761**	**77,125**	**64,510**	**258,690**

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2021/22 to 2024/25

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Mar-25	400	Leicestershire Grants	52	100	100	100	352
Mar-22	2,900	Rural Broadband Scheme - Phase 3	2,237				2,237
							0
		Total Chief Executives	**2,289**	**100**	**100**	**100**	**2,589**

CORPORATE RESOURCES - CAPITAL PROGRAMME 2021/22 to 2024/25

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
		ICT					
Mar-24	1,059	Corporate ICT Programme	59	500	500		1,059
Mar-22	300	Internal Firewall Replacement	300				300
Mar-25	900	Cisco Core Network Switch Replacement	200	0	0	700	900
Mar-23	80	SolarisServer Refresh	20	60			80
Mar-25	240	Replacement ITSM toolset and User Portal (Marval replacement project)	0	0	0	240	240
Mar-22	91	CSC Telephony Replacement	91				91
Mar-22	71	Wireless Controller Refresh	71				71
		Sub total - ICT	**741**	**560**	**500**	**940**	**2,741**
		Transformation Unit - Ways of Working					
Mar-23	1,300	Workplace Strategy - Office Infrastructure	466	834			1,300
Mar-24	3,700	Workplace Strategy - End User Device (PC, laptop)	796	626	30		1,452
Mar-23	1,474	Workplace Strategy - property costs, dilapidations and refurbishments	524	950			1,474
		Sub total - Transformation Unit	**1,786**	**2,410**	**30**	**0**	**4,226**
		Property Services					
Mar-22	265	Melton, Sysonby Farm Development - site preparation and infrastructure works	265				265
Mar-24	440	County Hall Lift Replacement Scheme	160	150	130		440
Mar-22	85	Romulus Court - IT environmental monitoring (subject to approach review)	85				85
Mar-22	110	County Hall - Fire Compartmentation	110				110
Mar-22	110	Coalville Office - Window replacement - environmental improvements	110				110
Mar-22	50	Snibston & Country Park Future Strategy - Land remedial works and covenant	50				50
Mar-22	496	Watermead Park Footbridge and Cycleway	496				496
		Sub total - Strategic Property	**1,276**	**150**	**130**	**0**	**1,556**
		Climate Change - Environmental Improvements					
Mar-24	1,242	Score + (Schools Energy Efficiency Scheme)	592	330	320		1,242
Mar-23	250	Electric Vehicle Car Charge Points	150	100			250
Mar-23	180	Minimum Energy Efficiency Standards & Performance Certificates	125	55			180
Mar-22	150	Energy & Water Strategy - Invest to save	150				150
Mar-22	100	Snibston E V Chargers & Solar Car Port	93				93
Dec-21	3,614	LCC Public Sector Decarbonisation Scheme	3,614				3,614
		Sub total - Energy	**4,724**	**485**	**320**	**0**	**5,529**
		Total Corporate Resources	**8,527**	**3,605**	**980**	**940**	**14,052**

CORPORATE - CAPITAL PROGRAMME 2021/22 to 2024/25

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
		Corporate Asset Investment Fund (CAIF)					
Nov-20	9,500	Airfield Business Park - Phase 3-4	100	8,400	1,000		9,500
Mar-21	6,390	Quorn Solar Farm	150	6,178			6,328
Oct-21	0	Quorn Barrow Road Industrial Units (Carbon Neutral)	0				0
Mar-25	1,300	County Farms Estate - General Improvements	700	200	200	200	1,300
Mar-25	1,286	Industrial Properties Estate - General Improvements	536	250	250	250	1,286
Mar-21	2,750	M69 Junction 2 - SDA	200	2,519			2,719
Mar-24	8,200	Leaders Farm, Phase 2 - Ind Units and x2 Drive Thru Restaurants	184	8,000			8,184
Mar-24	5,000	East of Lutterworth SDA (Planning and Preparatory works)	1,000	4,000			5,000
Mar-23	59	Lutterworth East - SDA	59				59
Mar-23	0	Lutterworth East - Planning and Pre-Highway construction Works	0				0
Mar-25	36,750	Asset Acquisitions / New Investments - subject to Business Case	0	9,750	10,000	17,000	36,750
		Total CAIF	**2,929**	**39,297**	**11,450**	**17,450**	**71,126**
		Future Developments					
Mar-25	58,500	Future projects - subject to business cases	0	13,500	20,000	25,000	58,500
		Total Corporate Programme	**2,929**	**52,797**	**31,450**	**42,450**	**129,626**

Appendix D

Department	Scheme Name	Time delay	Reason and impact of delay	Cost implications/consequence	Lessons learned
E&T	Zouch Bridge	Has been slipped several times in the capital programme.	Programme currently on hold whilst alternative options to full replacement are being considered due to significant escalation in cost estimates compared to initial budget.	Costs will depend on the options pursued, however, construction and materials costs have significantly increased over the last 12 months which is likely to impact the programme price.	Outcomes of works by Newton Europe and Faithful and Gould will underpin future development.
E&T	Melton North/East	1 year slippage.	Increase in complexity of design, timing and funding arrangements with a growing dependency on external partner support.	No further cost implications of slippage. Wider cost escalations reflected in updated capital programme	Outcomes of works by Newton Europe and Faithful and Gould will underpin future development.
E&T	Melton South	18 months slippage.	Increase in complexity of design, timing and funding arrangements with a growing dependency on external partner support.	No further cost implications of slippage. Wider cost escalations reflected in updated capital programme. Further funding still being pursued.	Outcomes of works by Newton Europe and Faithful and Gould will underpin future development.
E&T	A511/A50 MRN	1 year slippage	Delays in with purchase of land at the Lidl site in Hinckley. The land owners, Lidl, were selling the site to a third party and selling a parcel of the site to LCC requiring separate negotiations between the land owner, LCC and the third party that were not anticipated. As result of land delay scheme reprogrammed to start post Christmas which has added further time.	No further cost implications of slippage	Various lessons learnt from this and recent schemes on approach to land acquisition. Will be applied to future projects
E&T	Hinckley Hub - NPIF	10 months delayed	Project can not commence until funding from the DFT had been approved. The funding announcement from the DFT was delayed and took longer than anticipated.	No further cost implications of slippage	N/A
A&C	Specialist Dementia Facility	9-12 months	Difficulty in the procurement of specialist design partner for the scheme as well as delays from the pandemic	None	N/A
A&C	Hamilton Court/Smith Crescent	Scheme cancelled	20th July Cabinet paper. Short Breaks is no longer to be offered at Smith Crescent. Revised development proposals for the Cropston Drive site in Coalville are now developed for future consideration by the Cabinet.	None	N/A
Corp res	Sysonby Farm	Removed	Homes England grant conditions were unfavourable to LCC. Decision taken to sell land and achieve a more favourable capital receipt than would otherwise have been offered. Grant funding from Homes England to be returned.	Expectation is to repay grant to Homes England following decision to sell. The costs of sale to be met from capital receipt.	N/A - Best course of action has been adopted.
Corp Prog	Quorn solar farm	1 year slippage	Additional planning investigation works, e.g. archaeological survey.	Capital impact favourable due to improved efficiency of panels. Further work being undetaken on wholesale power pricing.	Issues speific to chosen site. Ensure cinsiderred in future business case.

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APPENDIX E

Savings Under Development

This appendix lists areas where departments are looking at the potential for additional savings which are not yet currently developed enough to be able to quantify and build into the detailed savings schedules.

Social Care Improvement Programme

Against the context of increasing growth requirements arising from demands and market capacity constraints, the C&FS department is seeking to expand investment in owned residential accommodation with care being provided as part of the Children's Innovation Partnership.

The level of costs and benefits depend on each property and the cohort of children or young people that are to be accommodated. But as a rule of thumb, to generate £1m of revenue savings would require about 6 additional properties (accommodating roughly 3 children or young people each). Such an approach requires capital investment. To purchase appropriate properties would cost about £500k per property. A key constraint will be the availability of suitable properties on the market. Further work is being undertaken on the needs analysis.

Public Health

<u>Service offer to schools</u>
There are several current services that are delivered to schools including young person's physical activity and various specialist training elements. The department is exploring the option of moving these to a traded service model.

<u>0-19 Healthy Child Programme</u>
Work is underway to look at this contract to see if there are opportunities to more closely align this to the work happening in the Defining CFS For the Future Programme as well as a review of the options for the next procurement of the contract in April 2022. Furthermore, providers are being required to cover growth which may not lead to specific named additional savings, but will support wider financial pressures.

<u>GP Health Checks</u>
The Transformation Unit is supporting the Department to identify opportunities for further savings and efficiencies through the Productivity and Efficiency Programme for GP Health Checks.

<u>Children's commissioning</u>
Work is progressing looking at the approach to children's commissioning within the department. This may require investment initially but should lead to savings in CFS.

Environment & Transport

<u>SEND Transport</u>

An initial review was undertaken of the processes involved in the delivery of transport for pupils with SEND, including links with the Defining CFS for the Future Programme. Based on this work there is an expectation that savings can be made from more efficient service delivery particularly in relation to use of vehicles, contracts and route optimisation. This includes the review of internal fleet with a view to expanding the service to cater for more complex needs, rather than outsourcing to the more expensive external market. This would require the acquisition of multi-purpose vehicles to deliver these contracts.

Low Level Street Lighting Energy Savings

To date the 'dimming and trimming' to further reduce street lighting energy use has only considered the high-level (7 metre plus) street lights and the part-night lit low-level residential street lights. Further savings in carbon dioxide and energy can be achieved by looking at the all-night lit low-level street lights. There are c16,000 low-level street lights in the county (23% of total).

An outline business case was agreed by the Departmental Management Team in December 2020 to undertake this work, in order to save £30k and 55 tonnes of CO2 emissions per annum from streetlighting energy usage. Work commenced in March 2021 and is on track to deliver benefits from 2021/22. However, the financial savings in 21/22 are committed to cover the cost of the external resource undertaking the work.

Further Highway Services Changes

This would include consideration of the case for reduction in the level of urban grass cutting. At present there are 6 cuts per season. A change in the public's attitudes for maintenance of natural wildlife habitats and wildflowers offers the potential for the cut frequency to be reduced.

LCC Small Fleet Servicing (Fleet Review)

LCC maintain small vehicles (such as cars, vans and pickups), to a higher frequency than is specified by manufacturers. Cost reductions would be found from reduced workshop time needed, and a reduction in service items such as fluids and filters.

Future Waste Transfer Station and Trade Waste Commercial work

LCC operates a Waste Transfer Station (WTS) at Loughborough RHWS. With the insourcing of Whetstone RHWS and WTS planned for 1st April 2021, and the construction of Bardon WTS planned for completion in April 2022 there is an opportunity to look at maximising these assets in terms of opportunities for income generation.

Adoption of Electric Vans in LCC Fleet

Following a successful trial of the latest generation of electric vans within Highways Delivery, and the development of an improved vehicle procurement process, a business case to determine the extent of EV adoption possible for the fleet is commencing.

Financial savings expected over the whole life cost of each vehicle in terms of diesel costs and maintenance. Carbon savings by switching to electric are also expected. Significant capital investment will need to be made to enable the switch.

Business Mileage
Work has commenced, in collaboration with the Ways of Working programme, on business mileage reductions. Alternative travel options are being investigated for LCC employees where mileage is incurred (such as through pool cars or car club schemes), with a view to retaining reductions (where possible) witnessed through Covid-19.

Chief Executive

Legal Case Management
An external review is currently being undertaken looking at case management processes and the potential to exploit digitalisation to identify efficiencies in how the service operates, the outcome of which is expected to be reported shortly.

Economic Development
A structural review has resulted in the establishment of the Growth Service which encompasses responsibilities for broadband and digital connectivity, growth managers, strategic planning and economic growth managers responsible for economic growth and recovery. Activity to identify possible savings arising from the review is ongoing.

Corporate Resources

Department Review

Following the Departmental Management Team restructure a further review will be undertaken looking at structures across the department for synergies and improvements.

Insurance review
A ‘Total Cost of Risk’ review is currently underway working with the authority’s insurance broker. This review will assess the potential for savings on policy payments.

Increased automation within Customer Service Centre
Process improvement, automation and digitisation will lead not only to an improved customer experience but also provide savings opportunities from improved productivity, reduction in handling and errors as well as a greater use of self service.

Review of vacant properties
Assessment of the council’s portfolio of existing and emerging vacant properties and land with a view to determining the most practical and economically advantageous option for using, leasing, renovating and returning to use, or disposing of such assets in each instance.

ESPO contribution increase
ESPO have developed plans to grow their existing business, with a particular focus on growth outside of their current base. Successful delivery of the place will increase the dividend received from the County Council’s (partial) ownership.

Amalgamation of transactional activity
There are several areas of similar and/or linked transactional activity, for example Finance, both within the department and across the County Council. This offers the

potential for centralisation of transactional functions across the County Council is to be investigated to identify service improvements through standardisation and efficiency opportunities through increased use of automation including robotics.

Corporate Asset Investment Fund (CAIF)
The Capital programme allows for additional investment in CAIF. The benefits of making these investments will not only be to the local economy, but also generate 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.

This potential additional income is over and above what is already included in the MTFS. The majority of investment is expected to come from the development of sites, which is a more uncertain undertaking. Hence, they are still included as a Savings Under Development. Income will be included in the MTFS when investments returns have a good degree of certainty.

Digital Initiatives
Growth has been included in the MTFS for an Incubation team 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 County Council and with partners. The team has received temporary funding to date and the extension of this funding beyond March 2021 will enable further authority-wide savings and cost avoidance initiatives to be developed.

Ways of Working Programme
Programme to exploit the large move towards more flexible working – seeing demand fall for office attendance by around 40-60%.

With the reduction in space required for staffing, the strategy will allow for income generation from the remainder of the county hall campus. Further space may be freed up in the future if flexible working increases. There are also a number of other potential benefits which may derive efficiency savings resulting in cost reduction which are unknown at present but likely to include:

- Reduction in business travel
- Increased productivity
- Reduction in carbon
- Reduced operating costs
- Improved recruitment and retention

Transformation Unit restructure
An action plan has been implemented to rationalise the breadth and number of Transformation Unit roles.

Operational Property
Work with Operational Property management has identified opportunities for reducing costs or increasing revenue, for example: postage, visitor and visitor car parking management, and management of third-party sites.