



Meeting: **Cabinet**

Date/Time: **Tuesday, 14 December 2021 at 2.00 pm**

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

Contact: **Mr. M. Hand (Tel. 0116 305 2583)**

Email: **matthew.hand@leics.gov.uk**

Membership

Mr. N. J. Rushton CC (Chairman)

Mr. B. L. Pain CC Mrs H. L. Richardson CC
Mrs D. Taylor CC Mrs. P. Posnett MBE CC
Mrs. C. M. Radford CC Mr. R. J. Shepherd CC
Mr. O. O'Shea JP CC Mr. P. Bedford CC
Mr. L. Breckon JP CC

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SUPPLEMENTARY REPORT

| <u>Item</u> | <u>Report by</u> | |
|--|---------------------------------|----------------|
| 4. Medium Term Financial Strategy 2022/23 to 2025/26 - Proposals for Consultation. | Director of Corporate Resources | (Pages 3 - 60) |



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CABINET – 14 DECEMBER 2021

MEDIUM TERM FINANCIAL STRATEGY
2022/23 - 2025/26 – PROPOSALS FOR CONSULTATION

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to set out the proposed Medium Term Financial Strategy (MTFS) for 2022/23 to 2025/26, for consultation and scrutiny.

Recommendations

2. It is recommended that:
 - (a) The proposed Medium Term Financial Strategy, including the 2022/23 revenue budget and capital programme, be approved for consultation and referred to the Overview and Scrutiny Committees and the Scrutiny Commission for consideration;
 - (b) The Director of Corporate Resources, following consultation with the Cabinet Lead Member for Resources, be authorised to -
 - i.) agree a response to the draft Local Government Finance Settlement;
 - ii.) decide on the appropriate course of action for the Leicester and Leicestershire Business Rates Pool in 2022/23 and subject to agreement by all member authorities to implement this;
 - (c) A further report be submitted to the Cabinet on 11th February 2022.
 - (d) The allocation of £28m of one-off funding for additional highways maintenance, additional resilience for capital schemes, to reduce capital borrowing requirements and provide an initial investment fund for carbon reduction initiatives be approved.

Reasons for Recommendations

3. To enable the County Council to meet its statutory requirements with respect to setting a budget and Council Tax precept for 2022/23 and to provide a basis for the planning of services over the next four years.
4. To ensure that the County Council's views on the Local Government Finance Settlement are made known to the Government.
5. To enable the County Council (alongside the pooling partners) to respond to the Department for Levelling Up, Housing and Communities in respect of the Business Rates Pool within 28 days from the draft Local Government Finance Settlement.
6. To enable contingency funding no longer required in 2021/22 to be redirected to County Council priorities including, investment in additional highways maintenance, to provide additional resilience for capital schemes, reduce capital borrowing requirements and to provide an initial investment fund for carbon reduction initiatives.

Timetable for Decisions (including Scrutiny)

7. The external consultation on the MTFS will take place from 15th December 2021 until 16th January 2022. The MTFS will be considered by the County Council's Overview and Scrutiny bodies between 19th and 31st January 2022 as follows -
 - Health - Wednesday 19th January
 - Highways and Transport - Thursday 20th January
 - Adults and Communities - Monday 24th January
 - Children and Families - Tuesday 25th January
 - Environment and Climate Change – Wednesday 26th January
 - Scrutiny Commission - Monday 31st January
8. The Cabinet will then consider the comments of the scrutiny bodies and responses from the wider consultation process at its meeting on Friday 11th February 2022. The County Council meets on Wednesday 23rd February 2022 to consider the final MTFS.

Policy Framework and Previous Decisions

9. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council on 17th February 2021. The County Council's Strategic Plan (agreed by the Council on 6th December 2017) outlines the Council's long-term vision for the organisation and the people and place of Leicestershire. An updated version is currently being consulted upon - <https://www.leicestershire.gov.uk/have-your-say/current-engagement/leicestershire-county-council%E2%80%99s-strategic-plan-2022-2026>

10. The key aims of the Plan being consulted on are:
 - Clean, green future;
 - Create communities;
 - Improving opportunities;
 - Strong economy, transport and infrastructure;
 - Keeping people safe and well.
11. The MTFs, along with other plans and strategies such as the Transformation Programme, aligns with these aims and underpins the Strategic Plan's delivery. The closing date for this consultation is the 21st January 2022.

Legal Implications

12. The Director of Law and Governance has been consulted on this report.
13. The function of the County Council in setting its budget in due course will engage the public sector equality duty which is set out in the Equality and Human Rights Impact Assessment (EHRIA) section below. An overarching and cumulative impact assessment will be available for the County Council when it considers the budget; it is important to note that the duty does not arise at a fixed point in time but is live and enduring and decision makers are required to have 'due regard' to the duty at each stage in the process'. The County Council as a major precepting authority is required to consult representatives of the non-domestic ratepayers and details of the budget consultation are set out below.

Resource Implications

14. The MTFs is the key financial plan for the County Council.
15. The County Council is operating in an extremely challenging financial environment following a decade of austerity and spending pressures, particularly from social care and special education needs. The financial position in 2020/21 and 2021/22 has been severely affected by Covid-19 and the on-going financial impacts of the pandemic are still not fully understood. There is also significant uncertainty and risk around future funding levels. This is despite Government announcements in 2019 that austerity was coming to an end.
16. The Office for Budget Responsibility's (OBR's) latest economic forecast (October 2021) shows a continuing gradual return to some sort of economic normality. However, the impact of COVID 19 will take many years to unwind and as such the Government has very limited room for manoeuvre, above the Spending Review levels, in terms of supporting the public sector to deal with the COVID aftermath and dealing with the pressures of significant demand and cost increases.
17. Public Sector Net Borrowing (PSNB) has totalled £127m in the first 7 months of the current financial year. This is down £103m (or 45%) on the equivalent periods last year. However, it should be remembered that in 2020/21 , PSNB was at its highest ever peace time level.

18. Government spending has fallen by 7% in this 7 month period compared to the same period last year, largely due to the unwinding of the job retention scheme (furlough) and self-employment support schemes.
19. Inflation is expected to increase sharply in the coming months. The Consumer Price Index (CPI) is expected to peak at about 4.6% in April 2022 according to the Institute of Fiscal Studies, although some commentators are suggesting higher levels.
20. It increasingly looks as though many local government services will never return to what might have been considered as 'normal' but what this will actually mean in the medium term is very difficult to forecast. So again this year, the level of uncertainty in the MTFS is greater than would have been the case in recent years. But also the scale of the challenge faced to balance the MTFS by year 4 is much more significant than has been the case in the past.
21. The current MTFS was balanced for years 1 and 2, with a gap of £23m in year 4. This revised MTFS balances in year 1 only with the gap in year 4 rising to £46m.
22. Delivery of the MTFS requires savings of £100m to be made from 2022/23 to 2025/26. This MTFS sets out in detail £40m of savings and proposed reviews that will identify further savings to offset the £46m funding gap in 2025/26. A further £14m of savings, including on-going cost avoidance from the creation of additional school places, will be required to ensure that High Needs funding can be contained within the Government grant. Strong financial control, plans and discipline will be essential in the delivery of the MTFS.
23. To ensure that the MTFS is a credible financial plan, unavoidable cost pressures have been included as growth. By 2025/26 this represents an investment of £88m, primarily to meet the forecast increase in demand for social care. The MTFS also includes a £69m provision for pay and price inflation. The majority of these pressures are unavoidable due to the nationally set National Living Wage and pay awards.
24. Balancing the budget is a continued challenge. With continual growth in service demand recent MTFSs have tended to show 2-years of balanced budgets followed by 2-years of growing deficits. This approach balances the need for sufficient time to identify initiatives that will close the gap without cutting back services excessively. The draft MTFS forecasts the minimum requirement of a balanced budget next year, but the following three years are all in deficit.
25. The gap in the second year is not expected to be cleared by the time the MTFS is approved in February. Reserves will need to be set aside to ensure that the County Council has sufficient time to formulate and deliver savings.
26. The deficit forecast in 2023/24 is a concern but manageable whilst the full range of options remain open to the County Council. New savings could be identified or service growth suppressed. A heightened focus on the County Council's finances is required whilst this situation remains.

27. The draft four-year capital programme totals £514m. This includes investment for services, road and school infrastructure arising from housing growth in Leicestershire, the corporate asset investment fund, social care accommodation and energy efficiency initiatives. Capital funding available totals £353m with the balance of £161m being temporarily funded from the County Council's internal cash balances.
28. To deal with the challenges that the County Council has faced in recent years, as the lowest funded County Council, a proactive approach has been required. Given the heightened uncertainty the more important it is that the County Council keeps this focus.

Circulation under the Local Issues Alert Procedure

29. This report has been circulated to all Members of the County Council. A briefing will also be provided to all Members.

Officers to Contact

Chris Tambini, Director of Corporate Resources,
Corporate Resources Department,
Tel: 0116 305 6199 E-mail: chris.tambini@leics.gov.uk

Declan Keegan, Assistant Director (Finance, Strategic Property and Commissioning)
Corporate Resources Department,
Tel: 0116 305 7668 Email: declan.keegan@leics.gov.uk

PART B

2021 Spending Review

30. On 27th October 2021 the Chancellor of the Exchequer delivered the 2021 Spending Review (SR), covering the three-year period 2022/23 to 2024/25. The main details relating to the funding of the County Council are set out below:
- The SR indicated a 3% real terms increase in Local Government funding. This includes Adult Social Care (ASC) reforms, which bring new responsibilities, reducing the net impact to 1.8%, and assumes a 3% Council Tax increase for all three years.
 - The SR included a new grant of £1.6bn. The County Council's allocation could range from £5m - £14m, using various distribution formulae; the draft MTFS assumes an allocation of £8m.
 - Council Tax increases of 2% "core" and 1% ASC Precept. These are lower increases than in recent years, and will not keep pace with additional service growth and current levels of inflation. Limits continue to be set annually.
 - The Business Rates Multiplier will be frozen in 2022/23 (instead of increasing by 3.1%) but local authorities will be fully compensated via Section 31 grant.
 - Public Health grant funding will increase in real terms, but when population growth is taken into account the grant will decline.

Expected Service Reforms

31. The Government's review of special education needs and disabilities (SEND), initially launched in September 2019, was expected to report in early 2021 but is still awaited. The review is expected to assess how this system has evolved since the introduction of education, health and care plans in 2014, and school funding reform in 2013. It is also expected to look at links with health care provision and about aligning incentives and accountability for schools, colleges and local authorities to make sure they provide the best support for children and young people with SEND. There are serious concerns that the review will not adequately address the affordability of the system.
32. On 1 December 2021 the Government released its long awaited White Paper on social care reform, 'People at the Heart of Care'. The White Paper articulates a 10 year vision for adult social care and provides information on funding proposals over the next 3 years. It sets out how some of the £1.7bn announced at the SR (of the £5.4bn total previously announced) for adult social care reform over the next 3 years will be used for major improvements across the adult social care system to begin to transform the adult social care system in England, such as new investments in:

- housing and home adaptations
 - technology and digitisation
 - workforce training and wellbeing support
 - support for unpaid carers, and improved information and advice
 - innovation and improvement
33. As the paper has only just been released, and more details will continue to emerge, the Council will now work through the contents to understand the detail. However, it is clear that new funding is linked to new responsibilities and not dealing with existing demands.
34. So it is important to be mindful that, whilst it is welcomed that the Government is looking to address these issues, there is no guarantee that it will actually be beneficial to the County Council financially and potentially could increase costs. A significant portion of the funding will be to reduce the contributions that self-funders make towards their care. Leicestershire has significantly more self-funders than the national average, which will cause a disproportionate impact on the County Council if the reforms are underfunded.

Local Government Finance Settlement

35. The 2022/23 provisional Local Government Finance Settlement is due to be released in mid/ late December 2021. Local Government legislation will require a period of consultation on the announcement of usually around four weeks, prior to a debate on the Settlement in the House of Commons.
36. Although the 2021 Spending Review relates to the three years 2022/23 to 2024/25 it is anticipated that the Local Government Settlement may only relate to 2022/23. Although this would precipitate the uncertainty around funding it does at least offer some hope for a reallocation of funding.
37. The MTFs is based on the following assumptions:
- The County Council will receive a 0.5% (£8m) allocation of the additional £1.6bn local government funding in the SR.
 - Core Council Tax increases of up to 1.99% will be allowed without a referendum.
 - The Adult Social Care precept will be extended to allow an increase of 1% in 2022/23.
 - No changes to the current 50% Business Rates retention scheme for 2022/23; a “reset” is assumed in 2023/24. Proposals on a change to a 75% scheme from 2023/24 may be clarified in the provisional Local Government Finance Settlement.
38. These assumptions will be reviewed and updated as appropriate based on the provisional Settlement.
39. Funding for services received through specific grants is not covered by the Settlement, for example: High Needs funding (Dedicated Schools Grant), the

Better Care Fund, Public Health Grant and all capital grants. Some amounts for 2022/23 may not be confirmed in the current financial year and the ongoing implications are subject to significant uncertainty.

Spending Power

40. The Government uses a measure of core spending power in assessing an authority's financial position. The County Council's historic annual core spending power from the previous Settlement is shown below. The key thing to note is that over this period Revenue Support Grant (RSG) has disappeared completely by 2019/20 compared to a figure of £56m in 2015/16 although in compensation for these reductions, additional specific funding streams have increased. Although a degree of certainty would be expected from having no RSG, Government have previously raised the prospect of "negative RSG".
41. The elements of core spending power from the previous Settlement are shown below:

| | 2015/16 £m | 2016/17 £m | 2017/18 £m | 2018/19 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Settlement Funding Assessment: RSG | 56.2 | 37.0 | 19.5 | 8.5 | 0.0 | 0.0 | 0.0 |
| Settlement Funding: Business Rates | 60.5 | 57.4 | 58.7 | 60.9 | 62.9 | 64.4 | 65.1 |
| Council Tax* | 233.4 | 247.6 | 263.1 | 285.5 | 301.6 | 319.3 | 342.0 |
| Improved Better Care Fund (iBCF)** | 0.0 | 0.0 | 9.5 | 12.4 | 14.8 | 17.2 | 17.2 |
| New Homes Bonus | 3.3 | 4.3 | 4.1 | 3.7 | 3.7 | 3.7 | 2.6 |
| Transition Grant | 0.0 | 3.3 | 3.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Adult Social Care Support Grant | 0.0 | 0.0 | 2.4 | 1.5 | 0.0 | 0.0 | 0.0 |
| Winter Pressures Grant # | 0.0 | 0.0 | 0.0 | 2.4 | 2.4 | 0.0 | 0.0 |
| Social Care Grant | 0.0 | 0.0 | 0.0 | 0.0 | 4.1 | 13.0 | 14.2 |
| Core Spending Power | 353.4 | 349.6 | 360.6 | 374.9 | 389.5 | 417.6 | 441.1 |

*Government forecasts of Council tax and Council tax base increases, which are different from those used by the County Council.

** includes one-off Social Care Grant announced in the Budget 2017, and Winter Pressures Grant of £2.4m added from 2020/21.

Grant shown as part of iBCF from 2020/21.

42. The table shows that 'core spending power' increased in cash terms by £87.7m (24.8%) from 2015/16 to 2021/22. With inflation historically running at circa 3% each year this represents a small real terms increase but provides little allowance for increasing populations and the significant increasing service demands local authorities are facing especially around social care services. This is particularly difficult for Leicestershire which continues to be an area of rapidly growing population.
43. Moreover, the core spending power measure assumes councils increase council tax by the maximum amount permitted, including raising the full adult social care

precept. Whilst the County Council has always done this since the adult social care precept was introduced, it is mindful that in doing so it has raised council tax above inflation for a number of years.

44. The Government's assumption, and a factor in the new social care grant allocations, was that the full 3% increase in the adult social care precept would be taken by councils in 2021/22.
45. The Government also assumed that the average tax base growth seen in recent years (2% in the case of the County Council) would be repeated in 2021/22. That assumption had not been adjusted for the adverse impacts of Covid-19 and the actual net increase in the 2021/22 tax base was only 0.5%. It is anticipated that the Government will amend the 2021/22 Core Spending Power (CSP) to reflect this.
46. The inherent problem with the current Government methodology to setting funding is that it takes no account of the relative funding position of individual authorities.
47. There are still significant risks due to the uncertainty of future funding levels.

Funding Reforms

48. Local Government funding went through considerable upheaval in the 2010s. Government grants were substantially reduced; Council Tax fell in real terms until 2015 when the Adult Social Care Precept was introduced; since 2013 business rate retention has rewarded councils with a share of local growth; and new grants have been introduced in a piecemeal response to the social care funding crisis.
49. Following increasing complaints about the application of austerity related cuts, in February 2016 the Government announced a 'fair funding review' and reform of business rate retention. The County Council has been a vocal advocate of the reforms, as have a cross-party support group, the County Councils' Network (CCN).
50. More recently the County Council has led the formation of the F20 group of councils which have the unenviable position of facing higher levels of council tax and lower levels of core spending power. The group has been formed to continue to press for reforms and offer practical suggestions to the Government that could be implemented quickly.
51. The County Council has been historically underfunded in comparison with other authorities, including other counties and has for some years been running a campaign to raise awareness of this and to influence the outcome of Government funding reforms. If Leicestershire as an area was funded at the same level as Surrey, it would be £115m per year better off, or £292m, compared to Camden.
52. The Government has accepted many of the arguments put forward and has indicated a preference for a simpler system that recognises the relative need of

areas, rather than just reflecting historic funding levels. Consultation documents on the reforms indicated a positive outcome.

53. Unfortunately, the 'Indicative numbers' for funding allocations to individual councils have never been made available and the reforms postponed from the 2019/20 implementation date.
54. This non-committal stance on reforms may be partly explained by Government's enthusiasm for its Levelling Up agenda. It may also be explained by Government's increased use of specific grants through the Covid-19 crisis to support Local Government. The working assumption is that there will not be any benefit from funding reforms and financial problems will need to be solved locally.
55. The "Other Grants and Funds" section of this report show the main specific grants received. Several have not been confirmed, even for 2022/33, and are unlikely to be until the new year. The levels for future years are therefore highly uncertain. Some grants are also impacted by economic measures, most notably inflation. To deal with anticipated reductions in future years a £3m allowance has been made for grant reductions in both 2024/25 and 2025/26, reflected as a potential reduction to the Business Rates "Top-up".

Business Rates

56. The two main components of the business rates retention scheme income received by the County Council are the "baseline" and "top up" amounts. The baseline is the County Council's share (9%) of business rates generated locally and the top-up is allocated to the County Council to compensate for the small baseline allocation.
57. When Government makes changes to the national Business Rate Scheme compensation for funding losses are made through a series of grants, referred to as Section 31 grants.
58. The proposed MTFs includes an assumption that the total of the baseline, top up and Section 31 grant elements will be increased by 3.1% in 2022/23, in line with the CPI in September 2021, and that the increase will be received in the form of additional Section 31 grant from the Government, as the Chancellor of the Exchequer has frozen the "poundage" charged to business for 2022/23 at 2021/22 levels.
59. The Government had indicated its intention for a full reset of baselines in 2020/21 but this was postponed until 2021/22 and, due to the pandemic was deferred again until 2022/23. It is anticipated that the Local Government Finance Settlement in December 2021 will confirm that the reset will be deferred again until 2023/24. This will result in councils losing their share of accumulated growth. For the County Council this amounts to £6m per annum, and the income to the Leicester and Leicestershire Enterprise Partnership (LLEP) from the Leicester and Leicestershire Business Rates Pool would reduce by circa £10m.

60. The Government introduced the Business Rates Retention System from April 2013 and as part of these changes Local Authorities were able to enter into Pools for levy and safety net purposes. Net surpluses are retained locally rather than being returned to the Government as would have been the case if no Pool had existed. The current pooling agreement between the partners allows the surplus to be provided to the LLEP for investment in the wider sub-regional area.
61. The 'Leicester and Leicestershire Pool' for business rates increases the amount of growth that can be retained locally rather than being returned to the Government. In total £41m is forecast to have been retained in Leicestershire since 2013/14, due to the success of the Pool, with a further potential surplus of £10.5m in 2021/22.
62. The partners will decide in January 2022 on whether to continue with the Pool in 2022/23. Although the medium-term economic effects of Covid-19 on business rates on overall income are likely to continue to reduce the levels of surpluses that can be achieved, continued pooling is expected to remain beneficial.

Council Tax

63. The Localism Act 2011 provides for residents to instigate local referendums on any local issue and the power to veto excessive Council Tax increases. A cap on the core increase of 2% is in place for County Councils for 2022/23. In addition, they are permitted to raise an additional 1% to fund adult social care (the adult social care precept).
64. The most financially significant decision of any budget is usually the level that Council Tax will be increased by. This is not just a consideration for the current year, it impacts the level of income available ad infinitum. Every 1% Council Tax is increased by is worth £3.4m to the County Council and costs each household in a band D property an additional £14.10 per year. The 2022/23 draft budget assumes a 2.99% increase, which contributes towards a balanced budget. If this increase was not taken service cuts would be the inevitable consequence.
65. The draft MTFs is based on a council tax increase of 2.99% in 2022/23 and 1.99% in each subsequent year. There is likely to be scope to take an additional amount for the Adult Social Care precept in the subsequent years as well but that would be assessed in light of the revised position this time next year.
66. The overall quantum of funding expected to be raised through council tax has been reassessed in light of the Covid-19 pandemic. In 2020/21, district councils saw increased claims for council tax support, linked to increased unemployment and hardship across the County. Business rates income was also affected by this although Government funded reliefs softened the impact considerably.
67. Issues in 2021/22 appear to be relatively less significant and the draft MTFs includes provisions for shortfalls of £1m in each year. Those provisions will be reviewed when the 2022/23 Tax Bases and Collection Fund forecasts have been

received from the district councils in January 2022 and any changes will be reflected in the report to the Cabinet on 11th February 2022.

Budget Consultation

68. The County Council undertakes an annual consultation on the draft budget. The results of this consultation will be reported to the Cabinet meeting on 11th February 2022. Comments on the proposals can be submitted by visiting the County Council's website (www.leicestershire.gov.uk) from 15th December 2021 until 16th January 2022.
69. As well as an annual consultation on the draft budget, it is important periodically to assess the views of the public, staff and stakeholders to inform the County Council's future financial priorities. An extensive public consultation exercise took place between 12th June and 10th September 2019, the outcome of which was reported to the Cabinet on 22nd November 2019.
70. It is important that the results of this more detailed engagement continue to influence the County Council's budgetary decisions. A key finding from the consultation was that respondents felt that support for vulnerable people should be protected. Residential and community support for older people and mental health – plus special educational needs and disabilities, child protection and children in care – were in the top 10 services people did not want to see reduced.
71. The refreshed MTFs as presented continues to represent a good fit with the outcome of the 2019 detailed consultation. Further growth has been provided to ensure service levels can be maintained, despite significant increases in demand. There was also support for investing in land, property and other assets to generate future income streams as well as investing in energy/carbon reduction initiatives. The capital programme provides for investment in these areas.

2022/23 - 2025/26 Budget

72. The provisional detailed four-year MTFs, excluding Dedicated Schools Grant (DSG), is set out in Appendix A and is summarised in the table below. The provisional 2022/23 budget excluding DSG is detailed in Appendix B.

| Provisional Budget | 2022/23 £m | 2023/24 £m | 2024/25 £m | 2025/26 £m |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Services including inflation | 406.0 | 436.4 | 457.8 | 484.1 |
| Add growth | 35.3 | 17.5 | 17.5 | 17.4 |
| Less savings | <u>-17.6</u> | <u>-10.5</u> | <u>-5.6</u> | <u>-6.0</u> |
| | 423.7 | 443.4 | 469.7 | 495.5 |
| Central Items | 23.0 | 22.1 | 23.3 | 25.7 |
| Less savings | <u>-0.1</u> | <u>0.0</u> | <u>-0.1</u> | <u>0.0</u> |
| | 446.6 | 465.5 | 492.9 | 521.2 |
| Contributions to/from: | | | | |

| | | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Budget equalisation earmarked fund | 14.5 | 13.4 | 16.2 | 17.2 |
| General Fund | 1.0 | 1.0 | 1.0 | 1.0 |
| Total Spending | <u>462.1</u> | <u>479.9</u> | <u>510.1</u> | <u>539.4</u> |
| Funding | | | | |
| Business Rates | -73.2 | -70.0 | -68.8 | -67.5 |
| Council Tax | -352.2 | -362.6 | -376.5 | -389.7 |
| Central Grants | <u>-36.7</u> | <u>-35.8</u> | <u>-35.8</u> | <u>-35.8</u> |
| Total Funding | <u>-462.1</u> | <u>-468.4</u> | <u>-481.1</u> | <u>-493.0</u> |
| Shortfall | <u>0.0</u> | <u>11.5</u> | <u>29.0</u> | <u>46.4</u> |

73. The MTFs shows a balanced position for 2022/23 and shortfalls of £11.5m in 2023/24 rising to £46.4m in 2025/26. As set out in the following section there is a range of initiatives currently being developed that will aim to bridge the gap.

Savings and Transformation

74. Overall, the balance between expenditure and income suggests a gap of £46.4m by the end of the MTFs period. Whilst the Council is optimistic that some additional funding may be made available to reduce this gap, it is clear that significant additional savings will still be required on top of the £40m that have been identified, £17.8m of which are to be made in 2022/23.

75. This is a challenging task especially given that savings of over £230m have already been delivered over the last twelve years. This was initially driven by the real terms reduction in Government grants, which is in excess of £100m since 2010. In recent years, service demand pressures have become the main driver. The identified savings are shown in Appendix C and further detail of all savings will be set out in the reports to the Overview and Scrutiny Committees in January 2022.

76. The main four-year savings are:

- Children and Family Services (£14.5m). This includes savings of £12.3m from the Defining CFS For the Future Programme. This programme of work aims to improve outcomes for children, young people and their families whilst delivering significant financial savings.
- Adults and Communities (£15.8m). This includes £7.4m from additional income, £2.3m from implementation of digital assistive technology to service users, £1.3m additional BCF/Health income and £1m from the Social Care Investment Plan.
- Public Health (£0.3m) from completing the Early Help and Prevention Review, service redesign and a review of commissioned services.
- Environment and Transport (£3.6m). Savings include £1.1m from the SEN Transport Lean Review, £1m from improved options for the treatment of residual waste and £0.5m from a range of small scale opportunities that form the E&T Continuous Improvement Programme.

- Chief Executive's Department (£0.7m). This includes saving of £0.5m from a review of case management and new ways of working.
 - Corporate Resources (£4.9m). This includes £1.6m from increasing returns from the Corporate Asset Investment Fund, savings of £1.4m from the Workplace Strategy / Ways of Working, £0.7m from the Customer and Digital Programme and £0.6m from Commercial Services.
77. Of the £40m identified savings, efficiency savings account for £28m, and can be grouped into three main types:
- a) Service re-design (£24m)
 - b) Better commissioning and procurement (£3m)
 - c) Senior management and administration (£1m)
78. It is estimated that the proposals would lead to a reduction of around 150 posts (full time equivalents) over the four-year period. However, it is expected that the number of compulsory redundancies will be lower, given the scope to manage the position over the period through staff turnover and vacancy control.
79. Further savings or additional funding will be required to close the budget shortfall of £11.4m in 2023/24 rising to £46.4m in 2025/26.
80. To help bridge the gap several initiatives are being investigated to generate further savings. Outlines of the proposals have been included as Appendix D, Savings under Development. Once business cases have been completed and appropriate consultation processes taken, savings will be confirmed and included in a future MTFS. This is not a definitive list of all potential savings over the next four-years, just the current ideas.
81. The development and ultimate achievement of these savings was already challenging, following a decade of austerity. The pandemic has increased the difficulty of delivery even further by: increasing the urgency of delivery; creating new pressures to be resolved; and reducing people's capacity to work on savings.
82. The MTFS also includes the High Needs Block Development Plan which is reducing costs through increase local provision of places, practice improvements and demand reduction initiatives. The aim of the programme is to ensure that the expenditure can be contained within the allocation through the Dedicated Schools Grant. Savings of £14.5m are planned over the MTFS period.

Transforming the way we work – Strategic Change

83. The savings requirements contained within the MTFS remain the central driver for the Council's change portfolio. The body of work contained within the portfolio, refreshed annually, represents savings in excess of £100m, including £14m for SEND. This will be aligned to the MTFS refresh to 2025/26 and will reflect the priorities of the Council's new Strategic Plan.

84. Alongside the need for financial sustainability, this latest refresh of the portfolio retains three further primary programmes of work, each representing key strategic priorities for change. The Council's commitment to reducing the environmental impact of our operations is represented in its Carbon Reduction programme with a clear target to achieve a net zero position by 2030. Improving customer contact through the use of automation and digital technology is a central premise of the Customer and Digital programme. Finally, the Authority's Ways of Working programme is bringing together Technology, People and Workplace change to redefine how it operates and shares its resources.
85. A key emphasis from the new MTFS is a focus on the identification of further internal efficiencies, productivity improvements and effective service decision making, spanning the County Council through a series of priority areas of work. Through evidence-based continuous improvement, this work will help to identify and capture new savings opportunities to be delivered and mitigate where possible the need for future growth in spending.

Growth

86. Over the period of the MTFS, growth of £87.8m is required to meet demand and service pressures with £35.3m required in 2022/23. The main elements of growth are:
- Children and Family Services (£25.1m). This is mainly due to £19.3m for pressures on the Social Care placements budget arising from increased numbers of Looked After Children and £5.6m for increased Social Care caseloads.
 - Adult Social Care (£35.0m). This is largely the result of an ageing population with increasing care needs and increasing numbers of people with learning disabilities.
 - Environment and Transport (£5.6m). This primarily relates to increased numbers of clients and costs on the Special Educational Needs (SEN) Transport budget (£5.2m).
 - Chief Executive's (£0.1m). This includes provision for increased requirements on Trading Standards.
 - Corporate Resources (£1.9m). This mainly relates to cost pressures on Commercial Services (£1.2m) and ICT license subscriptions and support costs (£0.3m).
 - Corporate Growth (£20.0m). This has been included to act as a contingency for potential further cost pressures in the later years of the MTFS. The amount has been set based upon historic levels of growth incurred. The contingency reflects that it is not possible to specifically identify all of the growth before the first year of a 4-year MTFS.
87. Details of proposed growth to meet spending pressures are shown in Appendix E.

Inflation

88. The Government's preferred measure of inflation is the CPI. In October 2021 this was 4.2% and it is forecast to rise to around 5% by spring 2022. The Office

for Budget Responsibility (OBR) predicts it will be around 3.9% in 2022/23 (3rd quarter 2022), 2.4% in 2023/24 and 2.0% in both 2024/25 and 2025/26.

89. However, the Council's cost base does not always reflect CPI. Energy and fuel increases, for example, have a much more significant impact. The draft MTFS assumes 5% inflation in 2022/23 and 3% per annum over the period 2023/24 to 2025/26.
90. The impact of the National Living Wage (NLW) is particularly significant. In recent years social care costs have been driven up by its continued increases, for which an additional provision has been made. The 2021-25 MTFS reflected the Government's manifesto commitment that the NLW will rise to £10.50 per hour by 2024. The 2020 Spending Review on 25th November 2020 included an increase of 2.2% from £8.72 to £8.91, effective from April 2021. Although that increase was lower than anticipated, it was assumed that the lower increase would simply be caught up in future years; the Budget / Spending Review on 27th October 2021 included an increase of 6.6% from £8.91 to £9.50, effective from April 2022, which puts the NLW back on track for a rate of around £10.50 by 2024.
91. The MTFS provides an estimated average increase of 2% each year, with an allowance for higher increases in the lower grades to reflect the impact of the NLW.
92. The central inflation contingency includes provision for an increase of 1% each year in the employer's pension contribution rate, in line with the requirements of the actuarial assessment.
93. Detailed service budgets for 2022/23 are compiled on the basis of no pay or price increases. A central contingency for inflation is held, which will be allocated to services as necessary.

Central Items

94. Interest income relating to Treasury Management investments is budgeted at £1.4m in 2022/23 and is estimated to reduce to £0.7m by 2025/26 as cash balances are reduced to fund internal borrowing for the capital programme.
95. Capital financing costs are expected to rise to £19.5m in 2022/23 (from £19.0m in 2021/22) and then to rise to £23m in 2025/26, as a result of the increasing financing requirements for the capital programme.
96. The budget includes revenue funding of capital expenditure, to reduce the overall need for borrowing to fund the capital programme, of £2.5m in 2022/23 and £1.5m in 2023/24 and later years.
97. Central grant income in 2021/22 totals £42.2m and includes one-off Covid-19 general grant of £11.8m. The projected total of £36.7m in 2022/23 reflects an assumed additional £8m from monies announced in the SR2021 and a £1.7m reduction in New Homes Bonus (NHB) grant. The remaining £0.9m element of NHB is assumed to be removed from 2023/24 onwards, with a total of £35.8m

projected from 2023/24 onwards. The Settlement may give more details on these grants.

Health and Social Care Integration

Better Care Fund (BCF)

98. Health and Social Care Integration continues to be a top priority for both the County Council and its NHS partners. Developing effective ways to co-ordinate care and integrate services around the person and provide more of this care in community settings are seen nationally and locally as key to improving outcomes and ensuring high quality and sustainable services for the future.
99. The Council has received funding from the NHS through the Better Care Fund (BCF) since 2015/16 in line with levels determined by Government. The BCF's purpose is to help the Council finance the delivery and transformation of integrated health and care services to the residents of Leicestershire, in conjunction with NHS partners.
100. The BCF Policy Framework and Planning Requirements are refreshed regularly and may cover one year or a number of years. The Department of Health and Social Care (DHSC) and the Department for Levelling Up, Housing and Communities (DLUHC) published a Policy Framework for the implementation of the BCF in 2021/22 on 19th August 2021. The requirements of the planning process have been focused on continuity, while enabling areas to agree plans for integrated care that support recovery from the pandemic and build on the closer working many systems developed to respond to it. NHS England will approve BCF plans in consultation with DHSC and DLUHC.
101. The 2021/22 BCF Policy Framework was published on 19th August 2021 and the BCF Planning Requirements and funding allocations were published on 30th September. The Leicestershire BCF Plan was submitted on 15th November to NHSE/I in accordance with the published timescales, having been approved prior to this date under delegated powers by both the County Council and the CCGs. The timescales did not allow time to seek approval prior to submission by the Health and Wellbeing Board. The Board has subsequently approved the content of the submission at its meeting on 25 November.
102. The four national conditions set by the Government in the policy framework for 2021/22 are:
 - a) That a BCF plan, including at least the minimum mandated funding to the pooled fund specified in the BCF allocations and grant determinations, must be signed off by the Health and Wellbeing Board, and by the constituent local authorities and CCGs.
 - b) A demonstration of how the area will maintain the level of spending on social care services from the CCG minimum contribution in line with the uplift to the CCG minimum contribution.

- c) That a specific proportion of the area's allocation is invested in NHS commissioned out of hospital services, which may include seven-day services and adult social care.
- d) That a clear plan is in place to improve outcomes for people being discharged from hospital.

103. BCF funding for Leicestershire in 2021/22 has been confirmed and is shown in the table below:

| | 2021/22 £m | |
|---------------------------|---------------|---|
| CCG Minimum Allocation | 43.7 | Level mandated by NHS England |
| IBCF | 17.2 | Allocated to local authorities, specifically to meet social care need and assist with alleviating pressures on the NHS, with emphasis on improving hospital discharge, and stabilising the social care provider market. |
| Disabled Facilities Grant | 4.4 | Passed to district councils |
| Total BCF Plan | 65.3 | |

104. £19.4m of the CCG minimum allocation into the BCF is used to sustain adult social care services. The national conditions of the BCF require a certain level of expenditure to be allocated for this purpose. This funding has been crucial in ensuring the Council can maintain a balanced budget, while ensuring that some of its most vulnerable users are protected; unnecessary hospital admissions are avoided; and the good performance on delayed transfers of care from hospital is maintained.
105. In addition to the required level of funding for sustaining social care service provision, a further £6.6m of Leicestershire's BCF funding has been allocated for social care commissioned services in 2021/22. These services are aimed at improving carers' health and wellbeing, safeguarding, mental health discharge, dementia support and crisis response.
106. The balance of the CCG Minimum Allocation £17.7m is allocated for NHS commissioned out of hospital services.
107. Any reduction in the funding for social care from the BCF would place additional pressure on the Council's MTFs, and without this funding there is a real risk that the Council would not be able to manage demand or take forward the wider integration agenda.

Other Grants and Funds

108. There are a number of other specific grants included in the MTFs, most of which are still to be announced for 2022/23, for example:

- Public Health – the 2022/23 allocation is assumed to be £25.5m, the same as in 2021/22. The grant is expected to be increased by inflation, although allocations have not been received.
- Education and Skills Funding Agency - £4.1m assumed in line with 2021/22.
- Section 31 Business Rates (Government funding for caps on business rates growth and other Government measures) – an estimate of £7.3m has been included for 2022/23, pending the Local Government Finance Settlement.
- Independent Living Fund – £1.0m assumed for 2022/23, compared with £1.2m in 2021/22.
- Music Education Hubs Grants - £1.3m as in 2021/22.
- Troubled Families Grant – £1.1m assumed, pending the Local Government Finance Settlement.
- Schools Block Dedicated Schools Grant - provisional settlement of £463.3m.
- Central Schools Services Dedicated Schools Grant, £3.6m.
- High Needs Dedicated Schools Grant –provisional settlement of £90.5m.
- Early Years Dedicated Schools Grant – similar amount expected to last year of £35.5m plus an increase announced in the spending review to support providers.
- New Homes Bonus – £0.9m assumed for 2022/23 reducing to nil by 2023/24, pending the Local Government Finance Settlement.

Dedicated Schools Grant Settlement 2022/23

Schools Block

109. School funding remains delivered by the National Funding Formula (NFF) which funds all pupils at the same rate irrespective of the authority in which they are educated. The NFF uses pupil characteristics each with a nationally set funding rate to generate school level funding to local authorities. Within the NFF only the per pupil entitlement is universal to all. Other factors reflect the incidence of additional needs such as deprivation and low prior attainment. Funding levels between local authorities and individual schools within those local authorities vary as a result of pupil characteristics rather than national funding levels.
110. 2022/23 is the final year of a three year funding settlement and school funding continues to be a 'soft' school funding formula for 2022/23. A 'soft' formula is where NFF calculates notional school allocations based upon pupil characteristics to generate the grant allocation, local authorities then apply their own local funding formula to generate individual school budgets. The Department for Education (DfE) has confirmed its intention to move to a 'hard' formula, i.e. one where all school budgets are set by the DfE. The DfE consulted in July on reducing local authority flexibility for school funding commencing in 2023/24 and laying the final requirements to allow the delivery of a hard NFF. The outcome of the consultation has yet to be published.
111. The 2022/23 Schools Block provisional DSG settlement is £463.6m, a per pupil increase of 2.43%. The allocation is based upon the 2020 October school

census. The settlement will be updated to the October 2021 school census and reissued in the next month.

112. Whilst the NFF for schools is based upon the 2021 School Census, funding for local authorities is based upon the pupil characteristics recorded on the 2020 school census. Any increase in pupils eligible for additional funding i.e. Free School Meals, is unfunded and could result in it not being possible to meet the cost of fully delivering the NFF from the Schools Block DSG. This impact will be reviewed once data from the 2021 Census has been received. The national regulations allow for an adjustment within the Minimum Funding Guarantee within the school funding formula to ensure the budgets for schools can be fully met from the DSG allocation.
113. The NFF delivers a minimum amount of funding per pupil, £4,265 for primary and £5,321 for Key Stage 3 and £5,831 per Key Stage 4 pupil. Despite the overall increase in budget, at individual school level 72 (32% of primary schools) and 7 (16% of secondary schools) remain on the funding floor and is a slight improvement from 40% of primary and 19% of secondary schools for 2021/22. These schools, despite additional funding, may experience a real terms decrease in income. As the funding guarantee is at pupil level, schools with decreases in pupil numbers will see an overall decrease in budget allocation.
114. Additionally, within the Schools Block, but separate to funding for individual schools, local authorities receive funding for the initial revenue costs of commissioning additional primary and secondary school places. This cannot be confirmed until the 2021 October census information is confirmed; the allocation for 2021/22 was £2.4m and is estimated to remain at this level for 2022/23. The revenue cost of commissioning a new school ranges from £0.5m to £0.8m for a primary and £2.2m to £2.5m for a secondary, depending upon size and opening arrangements. 23 new primary and 2 new secondary schools are expected to be built in Leicestershire in the medium to long term. The DfE's July funding consultation sought views on a national system for funding new and expanding schools from 2023/24.
115. It remains possible for local authorities to transfer up to 0.5% of the Schools Block DSG to High Needs following consultation with schools and with the approval of the Schools Forum. Secretary of State approval can be sought where Schools Forum do not agree a transfer, where local authorities wish to transfer more than 0.5% and for local variations to some of the technical aspects of the NFF. Consultation was carried out with schools on two options for a transfer in September to which thirteen (twelve full) responses were received from a total of 271 consultees. Of the twelve complete responses, 10 disagreed with the transfer with two in agreement.
116. The Schools Forum were recommended to approve the transfer on 15 November 2021 but voted to reject the transfer. A request for Secretary of State approval for the transfer has been submitted for both options set out within the consultation. A response is awaited.

High Needs

117. 2022/23 is the final year of a three-year settlement for school funding which also provides the High Needs Block. Local authorities have a guaranteed minimum

increase of 8% per head of population and are capped at a 11% increase. Leicestershire remains on the funding floor and receives an increase of 8%. The settlement includes £2.5m (£2.5m 2021/22) of protection funding which is not guaranteed in the long term.

118. The provisional High Needs DSG is £90.6m. This will be updated in December and again in June 2022 for the most recent data. The formula allocates funding across a set of pupil-related indicators and also includes an allocation based on historic spend.

119. The forecast position on the High Needs element of the DSG is shown below:

| | 2022/2 3 £,000 | 2023/2 4 £,000 | 2024/2 5 £,000 | 2025/2 6 £,000 |
|---|----------------------|----------------------|----------------------|----------------------|
| High Needs Dedicated Schools Grant | -90,550 | -92,361 | -94,208 | -96,092 |
| Placement Costs | 94,663 | 100,552 | 108,861 | 116,771 |
| Other HNB Cost | 8,708 | 8,708 | 8,708 | 8,708 |
| Commissioning Cost - New Places | 3,131 | 3,664 | 3,727 | 2,221 |
| Invest to Save Project Costs | 318 | 0 | 0 | 0 |
| Total Expenditure | 106,820 | 112,924 | 121,296 | 127,700 |
| Funding Gap Pre Savings | 16,270 | 20,563 | 27,088 | 31,608 |
| Demand Savings | -282 | -1,009 | -2,048 | -3,376 |
| Benefit of Local Provision and Practice Improvements | -4,215 | -6,190 | -8,844 | -11,072 |
| Total Savings | -4,497 | -7,200 | -10,892 | -14,447 |
| Annual Revenue Funding Gap | 11,773 | 13,364 | 16,196 | 17,160 |
| 2019/20 Deficit Brought Forward | 7,062 | | | |
| 2020/21 High Needs Deficit Brought Forward | 10,387 | | | |
| 2021/22 High Needs Deficit Brought Forward P6 Forecast | 10,521 | | | |
| Cumulative High Needs Funding Gap | 39,743 | 53,107 | 69,302 | 86,463 |
| Surplus (-ve) / Deficit Other DSG Blocks Forward | -8,163 | -10,125 | -5,497 | -997 |
| Surplus (-ve) / Deficit Other DSG Blocks In Year | -1,962 | 4,628 | 4,500 | 997 |
| Dedicated Schools Grant Surplus (-ve) / Deficit | 29,618 | 47,610 | 68,305 | 86,463 |
| Surplus / Deficit as % of Total DSG | 5% | 8% | 11% | 14% |

120. Clearly the financial position set out above is alarming and unsustainable and further actions need to be taken to address the position. Whilst some of the increased deficit relates to increasing cost the significant element in the worsening position is the continued rate of growth in pupils. Without addressing demand it is difficult to envisage a solution. Financial modelling has been undertaken to determine the reduction required to achieve an in year balanced budget.
121. The High Needs Development Plan sets out the Council's approach to planning, commissioning and delivering SEND services. It is in the process of being refreshed to reflect the current pattern of demand and cost of SEN placements.
122. Change is required but needs to be implemented through a phased approach. The new approach to the delivery of the High Needs Development Plan is being developed and supported by the Council's Transformation Unit and other corporate services along with harnessing the expertise provided by Newton Europe.
123. A whole system mapping exercise has been completed to identify the key aspects of the system that will lever the necessary changes based on two hypotheses which are the key 'controllable' variables:
- The number of funded placements in Leicestershire is too high
 - The average cost of placements in Leicestershire is too high
124. The revised approach will ensure that all activities that contribute to addressing the above variables be brought in scope of the programme, providing transparency, accountability and prioritisation across all service developments so that the service's efforts are aligned and focussed on activities that contribute the most financial benefit and enable effort to be focused on those with the most impact.
125. The forecast presented to Cabinet in June included a proposed Schools Block Transfer which would reduce the deficit by £2.3m in 2022/23 only. This is not included in the forecast as it is uncertain whether the transfer will receive Secretary of State approval.
126. Local authorities are now required to carry forward DSG as an unusable reserve and may only now contribute to DSG with the approval of the Secretary of State. Whilst this is the approach the DfE have encapsulated in legislation up until March 2023, it is not a sustainable nor reasonable approach. There are no details yet available on the treatment from April 2023.
127. Without the DfE addressing this through additional funding, local authorities will be required to set aside resources to offset the deficit. At the levels of expected growth, the position is completely unsustainable and puts the Council's finances in a very difficult position. As such it is essential that the planned measures to contain ongoing growth, outlined above, are successful and both demand and costs are reduced

Central Services Block

128. The central services block funds a number of school-related expenditure items such as existing school-based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic costs. The provisional settlement is £3.6m for 2022/23.
129. The provisional settlement continues an annual reduction of 20% for the Historic Costs element of the settlement but a guarantee remains in place to ensure that funding does not decrease below the financial commitment to meet former teacher employment costs. The recent funding consultation asked for views on transferring this funding from DSG into the Local Government Funding Settlement from 2023/24.

Early Years Block

130. Nationally funding for early years has increased by £160m and the Spending Review set out further increases in both 2023/24 and 2024/25. For 2022/23 the increase equates to an increase in the hourly rate for 2 year olds of £0.21 per hour and £0.17 for 3 and 4 year olds. Leicestershire remains on the funding floor and receives the lowest rate of funding.
131. There are further increases to the Early Years Pupil Premium of £0.07 and funding for the Disability Access fund increases by £185 to £800 per years.

Earmarked Funds and Contingency

132. The General Fund balance is available for unforeseen risks that require short term funding. The forecast balance on the General Fund (non-earmarked fund) at the end of 2021/22 is £18m which represents 3.9% of the net budget (excluding schools' delegated budgets). It is planned to increase the General Fund to £22m by the end of 2025/26 to reflect increasing uncertainty and risks over the medium term, and to avoid a reduction in the percentage of the net budget covered. These risks come in a variety of forms:
- Legal challenges such as judicial reviews that require a change in savings approach.
 - Legislative changes that come with a financial penalty, for example General Data Protection Regulations (GDPR).
 - Service provision issues that require investment, for example the capital investment to support the High Needs Block Development Plan.
 - Variability in income, particularly from asset investments.
 - Ongoing impact of Covid-19.
133. To put the level of resources into context: with the exclusion of schools, the County Council spends nearly £60m a month.
134. The proposed MTFS also includes a contingency of £8m in 2022/23 and later years for other specific key risks that could affect the financial position on an ongoing basis. Examples include:

- The non-achievement of savings.
 - Certainty of partner funding, for example the provision of services through the BCF.
 - Pressure on demand-led budgets particularly in social care.
 - Maintaining the level of investment required to deliver savings.
 - New service pressures that arise.
135. When the contingency is released, 'free' resources are directed toward the Future Developments earmarked fund to reduce the shortfall in capital funding discussed later in this report.
136. Other earmarked funds for revenue purposes (excluding schools' balances and partnerships) estimated at £43m are held for specific purposes including insurance, change initiatives, severance costs, invest to save schemes and renewals of vehicles and equipment. Earmarked funds are also held for capital purposes, estimated at £84m by March 2022, and the budget equalisation reserve at £33m.
137. Grant Thornton, the County Council's external auditor, reviews the level of earmarked funds held by the County Council as part of its Value for Money review of the current MTFS. The latest available report from 2019/20 reported no issues and stated "Overall, we are satisfied that the Council has arrangements in place to monitor its financial position for the short term, and has appropriate level of general reserves to mitigate any shortfalls if required". An updated assessment is expected in January 2022.

Concluding Comments – Revenue Position

138. There are significant uncertainties that could change the financial gap facing the County Council. These can be summarised as uncertainty over funding, cost growth and delivery of savings.
139. Funding uncertainties are predominately driven by Government. Despite the positive "end of austerity" message it is expected that some funding streams will reduce, for example the planned reset of the Business Rate Baseline will remove the benefit of growth. In addition, the position on some specific grants after 2021/22 is uncertain. In line with previous practice the MTFS assumes a reduction in business rates and some grants, albeit at a far lower level than the austerity years.
140. Cost growth manifests itself as either inflationary pressures or service growth. Service growth primarily relates to a growing and ageing population and a large increase in school-age children requiring support, which put huge demands on social care and SEND service.

141. Successful delivery of savings is dependent upon a range of factors, not all of which are in the control of the County Council. All savings included in the MTFS have had an initial deliverability assessment so that a realistic financial plan can be presented. With 2023/24 not forecast to be balanced there is less time to generate new savings and a lower margin of error on delivery. Identifying new savings will be a key activity a task made harder by the reduced options available.
142. The economic impact and impact on County Council operations of Covid-19 pandemic has lessened due to the roll-out of vaccinations and refinement of social interventions. The MTFS is built on the assumptions that any reversal in this trend or new requests from Government are fully funded.
143. In addition to these direct uncertainties the County Council is not insulated from financial difficulties of partner organisations. Currently the County Council's ongoing financial plans include £43.7m of funding related to the BCF. Even a partial loss of this funding would be difficult to manage.
144. Maintained schools and academies are under significant financial pressure; this could affect the County Council through its statutory responsibilities relating to education, for example to ensure the provision of sufficient school places. This pressure also increases the risk of lost commercial income, as schools and academies are the Authority's main commercial trading partner.
145. It is key to note that the delivery of the refreshed MTFS will be even more challenging than usual. Some local authorities, which are better funded than Leicestershire, are already in financial difficulties. DLUHC has been engaging with 150 local authorities regarding their financial situations during the Covid-19 pandemic, and 10 have agreed exceptional financial support from the Department. The focus on Leicestershire's finances over the past few years, including taking tough decisions on service reductions, has put the Council in a relatively sound position. It is essential that the focus on medium term financial planning and strong financial discipline is maintained.
146. The delivery of this MTFS rests on four factors:
 - Dealing with the short-term cost pressures and anticipated on-going reduction in resources arising from the Covid pandemic.
 - The absolute need to deliver the savings in the MTFS. The key risks are the technical difficulty of some projects and the public acceptance of some savings.
 - The need to have very tight control over demand-led budgets, such as social care and special education needs. Overspends such as those experienced in Children's social care in recent years will put the County Council in a very difficult position with a need to make immediate offsetting savings.
 - The need to manage other risks that could affect the Authority's financial position. These include costs currently being borne by the NHS shifting to local authorities and loss of trading income.

147. Before a further MTFS report is considered by the Cabinet on 11th February 2022 the provisional MTFS will be reviewed and the overall position will be updated in light of the latest budget monitoring position for 2021/22 and Government announcements, including the Local Government Finance Settlement.

Capital Programme 2022/23 to 2025/26

148. The overall approach to developing the capital programme has been based on the following key principles:

- To invest in priority areas of growth, including roads, infrastructure, climate change, including the forward funding of projects;
- To invest in projects that generate a positive revenue return (spend to save);
- To invest in ways which support delivery of essential services;
- Passport Government capital grants received for key priorities for highways and education to those departments;
- Maximise the achievement of capital receipts;
- Maximise other sources of income such as bids to the LLEP, section106 developer contributions and other external funding agencies;
- No or limited prudential borrowing (only if the returns exceed the borrowing costs).

149. The draft capital programme totals £514m over the four years to 2025/26, shown in detail in Appendix F. The programme is funded by a combination of Government grants, capital receipts, external contributions, revenue balances and earmarked funds.

150. The draft programme and funding are shown below:

Draft Capital Programme 2022-26

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Total |
|------------------------------|--------------|--------------|--------------|-------------|--------------|
| | £m | £m | £m | £m | £m |
| Children and Family Services | 35.0 | 31.5 | 19.1 | 8.5 | 94.1 |
| Adults and Communities | 6.9 | 9.0 | 6.9 | 4.4 | 27.2 |
| Environment and Transport | 58.5 | 77.5 | 66.1 | 24.1 | 226.2 |
| Chief Executive's | 0.1 | 0.4 | 0.1 | 0.1 | 0.7 |
| Corporate Resources | 5.0 | 2.2 | 1.4 | 3.7 | 12.3 |
| Corporate Programme | 35.4 | 32.7 | 33.5 | 52.1 | 153.7 |
| Total | 140.9 | 153.3 | 127.1 | 92.9 | 514.2 |

Capital Resources 2022-26

| | 2022/23 £m | 2023/24 £m | 2024/25 £m | 2025/26 £m | Total £m |
|---|---------------|---------------|---------------|---------------|--------------|
| Grants | 59.1 | 64.7 | 38.6 | 28.5 | 190.9 |
| Capital Receipts from sales Revenue/ Earmarked funds | 8.7 | 6.9 | 6.6 | 2.0 | 24.2 |
| Contributions | 63.4 | 28.1 | 0.6 | 0.6 | 92.7 |
| External Contributions | 9.7 | 18.6 | 14.1 | 3.2 | 45.6 |
| Total | 140.9 | 118.3 | 59.9 | 34.3 | 353.4 |
| Funding Required | 0.0 | 35.0 | 67.2 | 58.6 | 160.8 |

151. Where capital projects are not yet fully developed, or plans agreed, these have been included under the heading of 'Future Developments' under each departmental programme. It is intended that as these schemes are developed during the year, they will be assessed against the balance of available resources and included in the capital programme as appropriate. A fund of £60m is included in the draft capital programme.

152. The proposed programme can be summarised as:

| | |
|-----------------------|--------------|
| Service Improvements | £235m |
| Investment for Growth | £124m |
| Invest to Save | £95m |
| Future Developments | £60m |
| Total | £514m |

Funding and Affordability**Forward Funding**

153. The County Council recognises the need to forward fund investment in infrastructure projects to enable new schools and roads to be built and unlock growth in Leicestershire before funding, mainly from section 106 developer contributions, is received. This allows a more co-ordinated approach to infrastructure development. A total of £33m in forward funding is included in the proposed capital programme (in addition to £6m in previous years) that is planned to be repaid in the future. When the expected developer contributions are received they will be earmarked to the capital programme, to reduce the dependency on internal cash balances in the future.

154. Forward funding presents a significant financial commitment for the County Council, but should ensure:

- External funding is maximised, through successful bids.
- The final cost of infrastructure investment is reduced (compared with what it would be if construction was delivered incrementally as and when smaller developments come forward).

- The design is optimised, to the benefit of the local community.
155. There are risks involved in managing and financing a programme of this size. There is reduced scope for funding additional schemes that are identified in the future. And an increased reliance on developer contributions through section 106 agreements means that it may take many years for investment to be repaid. This could be further compounded in the event of an economic slowdown. To this end, support of district councils is essential to ensure the agreements reached with developers mitigate these risks.
156. Given the benefits to Leicestershire that the increased investment will bring it is considered that district councils should share in these risks in a proportionate way. The County Council continues to work with districts in relation to major infrastructure schemes being progressed in their areas; district councils will benefit directly through additional tax revenues and increases in Government grants. However, the circumstances around individual projects vary. Hence unique measures need to be put in place to minimise the risks in each district area.
157. The risk with forward funding is that insufficient or delayed contributions, from developers, will fall upon the County Council. A key determinant in generating sufficient developer contributions is the approach taken by the district council, as the planning authority. The district council will set the local planning context against which section 106 agreements will be agreed and ultimately decide on planning permission.
158. A significant problem associated with funding major infrastructure projects is the way in which capital funding is allocated. Significant resource is required to develop bids which may ultimately be unsuccessful. Whilst it is important that robust business cases are developed to ensure the benefits of the project are sufficient to justify the investment, the fact that successful bids usually also need a degree of match/local funding to supplement grant money means that overall tight capital programmes become even more stretched. The County Council considers that such an approach is unsustainable and needs to be reviewed and will continue to raise this with central government.
159. The East Midlands is disadvantaged in terms of the ability to influence Government and attract investment or devolution opportunities compared to the West Midlands. There is an elected mayor and a combined authority for the West Midlands. Their most recent devolution deal (2017) includes £6m for a housing delivery taskforce, £5m for a construction skills training scheme and £250m to be spent on local intra-city transport priorities. The first devolution deal (2015) included over £1bn investment to boost the West Midlands economy.
160. The County Council is pursuing the possibility of a County Deal with Government which would provide a much more stable and sustainable approach to infrastructure decisions to be taken, and allow all funding received to be used in a more cost-effective manner.

Capital Grants

161. Grant funding for the capital programme totals £191m across the 2022-26 programme. The majority of grants are awarded by Government departments including the Department for Education (DfE) and the Department for Transport (DfT).

Children and Family Services

162. Capital grant funding for schools is provided by the DfE. The main grants are:

- a) Basic Need – this grant provides funding for new pupil places by expanding existing schools and academies or by establishing new schools. Funding is determined through an annual submission to the DfE which identifies the need for additional school places in each local authority area. The DfE has announced details of the grant awards for 2022/23 (£8.8m). No details have been announced for future years. An estimate of £3m has been used for 2023/24 to 2025/26.
- b) Strategic Capital Maintenance – this grant provides the maintenance funding for the maintained school asset base. Details of the grant for 2022/23 and future years have not yet been announced. An estimate of £2m per annum is included in the capital programme. It is expected that this grant will continue but will reduce as further schools convert to academy status.
- c) Devolved Formula Capital (DFC) - funding provided to schools. The DfE has not yet announced details of grant allocations. However, an estimate of £0.5m per annum can be made, based on the number of maintained schools.
- d) New (Free) School bid – the programme funding includes an £8m DfE grant to fund a new Social Emotional and Mental Health special school in 2023/24 required as part of the High Needs Development plan.

Adult Social Care

163. Capital funding for the Disabled Facilities Grant (DFG) programme has not yet been announced. An estimate in line with previous years, £4.4m per annum, has been included in the capital programme.

Environment and Transport

164. The DfT grants have not yet been announced and so estimates have been included, based on previous years. These include:

- a) Integrated Transport Block - £2.7m p.a. (£10.9m overall).
- b) Maintenance - £9.9m p.a. (£39.5m overall).
- c) Transport Infrastructure Investment Fund (inc. Pot Holes) - £7.9m p.a. (£31.6m overall).

165. Other significant Environment and Transport capital grants included are:

- DfT Melton Mowbray Distributor Road funding - £40.5m (total £49.5m including 2020/21 allocation).
- Housing Infrastructure Fund – Melton Southern Distributor Road - £15.9m (total £18.2m including 2020/21).

Capital Receipts

166. The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £24.2m across the four years to 2025/26.

167. The estimate includes potential land sales that are subject to planning permission. In these cases the value of the site is significantly increased when planning permission is approved. However, this also comes with a significant amount of uncertainty and potential for delays. For planning purposes a total of £6m of future estimated sales subject to planning permission has been included.

Revenue / Earmarked Funds/ Contributions

168. To supplement the capital resources available and avoid the need for borrowing £93m of revenue/ reserves funding is being used to fund the programme consisting of:

| | |
|--|------|
| One-off MTFs 2022-26 revenue contributions | £7m |
| Departmental earmarked funds | £5m |
| Capital Financing earmarked fund | £81m |
| Total | £93m |

169. The capital financing earmarked fund temporarily holds previous years' revenue contributions to fund the capital programme until they are required.

170. Supplementary funding is required where schemes cannot be fully funded by alternative sources, such as grants. Examples of this are the replacement of operational assets, such as the vehicle replacement programme and ICT systems.

External Contributions and Earmarked Capital Funds

171. A total of £45.6m is included in the funding of the capital programme 2022-26. All of it relates to section 106 developer contributions.

Funding from Internal Balances

172. A total of £161m in funding required is included within the capital programme to fund the programme and enable investment in schools and highway infrastructure to be made. Over the next 10 to 15 years it is anticipated that circa

£39m of this funding will be repaid through the associated developer contributions.

173. Due to the strength of the County Council's balance sheet, it is possible to use internal balances (cash balances) to fund the capital programme on a temporary basis instead of raising new external loans. Levels of cash balances held by the Council comprise the amounts held for earmarked funds, provisions, the Minimum Revenue Provision (MRP) set aside for the repayment of debt and working capital of the Council. The cost of raising external loans currently exceeds the cost of interest lost on cash balances by circa 1.5%.
174. The overall cost of using internal balances to fund £161m of investment is dependent on what happens to interest rates in the coming years. For example, if the Bank of England base rate rises to 1.5%, it is estimated that internal borrowing will cost around £6.5m per annum by 2025/26, comprising MRP of £4m and reduced interest from investments of £2.5m. If external loans were to be raised instead, the cost is estimated to be £8m per annum on the basis that external borrowing rates would be around 2.5%. But because of the uncertainty on interest rates, this position will be kept under review as part of the treasury management strategy.
175. The County Council's current level of external debt is £263m. As described above this is not assumed to increase during the MTFS. The relative interest rates and cash balances will be kept under review to ensure that this is the right approach.

Capital Programme Summary by Department

176. Over the period of the MTFS, a capital programme of £514m is required of which £141m is planned for 2022/23. The main elements are:
- Children and Family Services - £94m. The priorities for the programme are informed by the Council's School Place Planning Strategy and investment in SEND as part of the High Needs Development Plan, explained earlier in this report.
 - Adults and Communities - £27m. The programme includes £18m relating to the Disabled Facilities Grant (DFG) programme and schemes for the Social Care Investment Plan (SCIP).
 - Environment and Transport - £226m. This relates to: Major Schemes such as Melton Mowbray Distributor Road North/East and Southern Sections, Zouch Bridge replacement as well as the Transport Asset Management Programme and the Environment & Waste Programme. Other significant projects include Melton Depot replacement, vehicle replacement and advanced design.
 - Chief Executive's - £0.7m, mainly Leicestershire Community Grants.
 - Corporate Resources - £12m. This mainly relates to investment in ICT, Transformation, Property and Environmental Improvements.
 - Corporate Programme - £154m. Investment includes the Corporate Asset Investment Fund (CAIF), the Future Developments fund (subject to business cases), and Major Schemes Portfolio Risk.

177. Details of the proposed capital programme are shown in Appendix F to this report.

Capital Summary

178. The capital programme totals £514m over the four years to 2025/26. The Council recognises the need to fund long term investment and has set a capital programme that includes forward funding of capital infrastructure projects for highways of £33m (£39m cumulative).

179. Longer term infrastructure schemes (outside of the MTFS period) are not included in the programme. Pressure on school places and Leicestershire's infrastructure is expected from population growth, with estimates of a 10% increase in the County's population between 2020 and 2030. It is assumed that section 106 and Government funding will be available at the necessary level.

180. Overall £161m from internal cash balances will be used to fund the cash flow of capital programme. As such there is very limited scope to add further capital schemes to the capital programme. The additional revenue costs arising from this total £6.5m per annum.

181. By their nature, discretionary asset investments, which are made to generate capital receipts or revenue returns, are risky. Whilst this is partially mitigated by the County Council's ability to take a long-term view of investments, removing short-term volatility, it is likely that not all investment will yield returns in line with the business case.

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

183. Additional Government investment in housing and infrastructure is increasingly subject to a competitive bidding process and areas with devolution deals are likely to be preferred. For the County Council to access additional funding other organisations, such as the LLEP, need to be operating effectively. The future of LEPs has been under consideration by the Government.

Other Funding Issues

Freeport

184. The County Council is acting as Lead Authority in relation to the establishment and ongoing activity of the East Midlands Freeport (EMF). The final business case is required to be submitted to the Department for Levelling Up, Housing and Communities (DLUHC) by the end of January 2022 with a likely designation of EMF from April 2022.

185. During the current year the County Council has funded costs around business case development and wider set up costs. Net costs are expected to total around £1m by the end of this current financial year. Agreement has been reached that any costs incurred by the County Council will be recovered from future retained

business rates once the sites are up and running. However, this does mean that the County Council is required to cash flow at risk of non-designation.

186. The governance arrangements going forwards are currently being developed through an EMF constitution, which will be agreed and signed off by the EMF Board in the coming months. The constitution will include measures to protect the overall financial exposure of the County Council in its capacity as Lead Authority/Designated Body. As part of this, consideration is being given to how EMF governance will link in with that of the East Midlands Development Corporation (The Integrated Rail Plan published in November referred to 'accelerating a delivery vehicle' for the sites identified by the Development Corporation.).
187. The County Council has committed £500,000 per annum, for three years, to the Development Corporation. This contribution will need to be kept under review, depending upon progress of the venture and commitment of local and national partners.

Use of one-off funding

188. Within the current year's revenue budget, provision was made for significant unplanned and expenditure, primarily in relation to the uncertainty on what additional funding would be required to manage the ongoing implications of COVID 19. Along with provision for more general MTFS risks, £36m was set aside.
189. At the current position it is looking as though much of this provision will not be required and can be freed up to fund additional one-off expenditure. It is proposed that £28m is allocated as below:
- An additional £8m is allocated for Highways investment, split between 2022/23 and 2023/24.
 - Due to the inflationary cost pressures impacting on the capital programme, £10m is added to the capital programme to cover wider portfolio risks on major capital programme schemes
 - In order to improve financial sustainability, £8m is added to the capital programme to reduce capital borrowing required and provide additional funding for invest to save schemes.
 - An investment fund of £2m is created for carbon reduction schemes, subject to business cases.
190. The remaining balance of £8m will be retained for unexpected costs between now and the end of the financial year, especially in light of the potential additional threats posed by the Omicron variant. But if it is unused at the end of the financial year, it will be used to help balance the 2023/24 position if required or else to reduce further the shortfall on capital funding.

Equality and Human Rights Implications

191. 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.
192. Given the nature of the services provided, many aspects of the County Council's MTFS will 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 detailed 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 as well as information to enable proper consideration of the mitigation of the impact of any changes on those with a protected characteristic.
193. A high level Equalities and Human Rights Impact assessment of the MTFS 2021-25 was completed last year to:
- Enable decision makers to make decisions on an informed basis which is a necessary component of procedural fairness;
 - Inform decision makers of the potential for equality impacts from the budget changes;
 - Consider the cumulative equality impacts from all changes across all Departments;
 - Provide some background context of the local evidence of cumulative impacts over time from public sector budget cuts.
194. This assessment will be updated for the new MTFS 2022-26 and included in the proposed MTFS to the Cabinet in February 2022. Many of the proposals in the MTFS were agreed as part of the decision to adopt the previous MTFS, and others are amendments to existing plans that have already been agreed.
195. Overall, the previous assessment found that the Council's budget changes will have the potential to impact older people, children and young people, working age adults with mental health or disabilities and people with disabilities more than people without these characteristics. This is as expected given the nature of the services provided by the County Council. The findings between April 2017 and September 2021 of the Leicestershire Community insight survey found that a significantly higher percentage of women, non-white British people, people with health problems, people with a disability, people who provide informal care or receive care support and people with a religion responded that they had been affected a "fair amount" or a "great deal" by national and local public sector cuts.
196. There are several areas of the budget where there are opportunities for positive benefits for people with protected characteristics both from the additional investment the Council is making into specialist services and to changes to

existing services which offer improved outcomes for users whilst also delivering financial savings.

197. An Equality Impact screening will be required for each proposal in relation to savings. Where potential negative impact is identified a full Equality Impact Assessment will be required. Any savings arising out of a reduction in posts will be subject to the County Council's Organisational Change policy which requires an Equality Impact Assessment to be undertaken as part of the Action Plan.

Crime and Disorder Implications

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

Environmental Implications

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

Partnership Working and Associated Issues

200. 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

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

Background Papers

Report to the County Council on 17th February 2021: Medium Term Financial Strategy 2021-25

<http://politics.leics.gov.uk/documents/s159761/Medium%20Term%20Financial%20Strategy%20202122%20to%20202425.pdf>

County Council Strategic Plan

<https://www.leicestershire.gov.uk/about-the-council/council-plans/the-strategic-plan>

Appendices

Appendix A: Four Year Revenue Budget 2022/23 to 2025/26

Appendix B: 2022/23 Revenue Budget

Appendix C: Savings 2022/23 to 2025/26

Appendix D: Savings under Development

Appendix E: Growth 2022/23 to 2025/26

Appendix F: Capital Programme 2022/23 to 2025/26

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2022/23 - 2025/26 REVENUE BUDGET *

| | TOTAL 2021/22 | Inflation/ Contingencies /Transfers | Growth | Savings | TOTAL 2022/23 | Inflation/ Contingencies /Transfers | Growth | Savings | TOTAL 2023/24 | Inflation/ Contingencies /Transfers | Growth | Savings | TOTAL 2024/25 | Inflation/ Contingencies /Transfers | Growth | Savings | TOTAL 2025/26 |
|---|------------------|---|---------------|----------------|------------------|---|---------------|----------------|------------------|---|---------------|---------------|------------------|---|---------------|---------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Spending | | | | | | | | | | | | | | | | | |
| Services : | | | | | | | | | | | | | | | | | |
| Children & Family Services | 89,086 | -215 | 5,435 | -3,770 | 90,536 | 0 | 6,260 | -3,875 | 92,921 | | 6,665 | -2,690 | 96,896 | | 6,765 | -4,165 | 99,496 |
| Adults & Communities | 151,432 | 5,202 | 25,840 | -11,020 | 171,454 | 0 | 3,070 | -2,480 | 172,044 | | 3,000 | -2,160 | 172,884 | | 3,100 | -100 | 175,884 |
| Public Health ** | -1,323 | -25 | 0 | -100 | -1,448 | 0 | 0 | 0 | -1,448 | | 0 | -100 | -1,548 | | 0 | -90 | -1,638 |
| Environment & Transport | 81,355 | 1,731 | 1,845 | -1,710 | 83,221 | 0 | 1,085 | -1,580 | 82,726 | | 1,515 | -310 | 83,931 | | 1,190 | 0 | 85,121 |
| Chief Executives | 12,458 | -3 | 360 | -90 | 12,725 | 0 | 5 | -275 | 12,455 | | -230 | -175 | 12,050 | | 0 | -200 | 11,850 |
| Corporate Resources | 34,089 | -638 | 1,855 | -910 | 34,396 | 0 | -5 | -2,275 | 32,116 | | 0 | -210 | 31,906 | | 0 | -1,475 | 30,431 |
| | 367,097 | 6,052 | 35,335 | -17,600 | 390,884 | 0 | 10,415 | -10,485 | 390,814 | 0 | 10,950 | -5,645 | 396,119 | 0 | 11,055 | -6,030 | 401,144 |
| DSG (Central Dept recharges) | -2,285 | 0 | 0 | 0 | -2,285 | 0 | 0 | 0 | -2,285 | | | | -2,285 | | | | -2,285 |
| Other corporate growth & savings | -350 | 350 | 0 | 0 | 0 | 0 | 7,085 | 0 | 7,085 | | 6,550 | 0 | 13,635 | | 6,365 | 0 | 20,000 |
| MTFS Risks Contingency | 8,000 | 0 | 0 | 0 | 8,000 | 0 | 0 | 0 | 8,000 | | | | 8,000 | | | | 8,000 |
| Covid-19 Budget | 28,300 | -28,300 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 | | | | 0 |
| Contingency for inflation/ Living Wage | 12,550 | 14,598 | 0 | 0 | 27,148 | 12,700 | 0 | 0 | 39,848 | 14,400 | | | 54,248 | 14,400 | | | 68,648 |
| | 413,312 | -7,300 | 35,335 | -17,600 | 423,747 | 12,700 | 17,500 | -10,485 | 443,462 | 14,400 | 17,500 | -5,645 | 469,717 | 14,400 | 17,420 | -6,030 | 495,507 |
| Central Items: | | | | | | | | | | | | | | | | | |
| Financing of capital | 19,000 | 500 | | | 19,500 | 500 | | | 20,000 | 1,000 | | | 21,000 | 2,000 | | | 23,000 |
| Revenue funding of capital | 2,500 | 0 | | | 2,500 | -1,000 | | | 1,500 | 0 | | | 1,500 | | | | 1,500 |
| Bank & other interest | -1,300 | -100 | | | -1,400 | -200 | | | -1,600 | 300 | | | -1,300 | 600 | | | -700 |
| Central expenditure | 3,049 | -600 | | -150 | 2,299 | -100 | -20 | | 2,179 | -100 | -80 | | 1,999 | -100 | | | 1,899 |
| Total Services & Central Items | 436,561 | -7,500 | 35,335 | -17,750 | 446,646 | 11,900 | 17,500 | -10,505 | 465,541 | 15,600 | 17,500 | -5,725 | 492,916 | 16,900 | 17,420 | -6,030 | 521,206 |
| Contributions to budget equalisation earmarked fun | 4,000 | | | | 14,500 | | | | 13,400 | | | | 16,200 | | | | 17,200 |
| Contributions to/from General Fund | 1,000 | | | | 1,000 | | | | 1,000 | | | | 1,000 | | | | 1,000 |
| Total Spending | 441,561 | | | | 462,146 | | | | 479,941 | | | | 510,116 | | | | 539,406 |
| Funding | | | | | | | | | | | | | | | | | |
| Business Rates - Top Up | -40,346 | | | | -40,346 | | | | -41,920 | | | | -39,930 | | | | -37,790 |
| Business Rates Baseline/Retained | -24,181 | | | | -25,528 | | | | -20,500 | | | | -21,130 | | | | -21,670 |
| S31 grants - Business Rates | -4,900 | | | | -7,330 | | | | -7,610 | | | | -7,790 | | | | -7,940 |
| Council Tax Precept | -336,934 | | | | -352,210 | | | | -364,610 | | | | -377,450 | | | | -390,730 |
| Council Tax Collection Fund net deficit / (surplus) | 1,574 | | | | -1,000 | | | | 1,000 | | | | 0 | | | | 0 |
| LCTS Grant | -3,566 | | | | 0 | | | | 0 | | | | 0 | | | | 0 |
| Provision for impact of Covid-19 on funding | 9,000 | | | | 1,000 | | | | 1,000 | | | | 1,000 | | | | 1,000 |
| New Homes Bonus Grant | -2,621 | | | | -895 | | | | 0 | | | | 0 | | | | 0 |
| Improved Better Care Grant etc. | -13,670 | | | | -13,670 | | | | -13,670 | | | | -13,670 | | | | -13,670 |
| Social Care Grant | -14,167 | | | | -14,167 | | | | -14,167 | | | | -14,167 | | | | -14,167 |
| Covid-19 21/22 General Grant | -11,750 | | | | 0 | | | | 0 | | | | 0 | | | | 0 |
| New Grant (22/23 £1.6bn) | 0 | | | | -8,000 | | | | -8,000 | | | | -8,000 | | | | -8,000 |
| Total Funding | -441,561 | | | | -462,146 | | | | -468,477 | | | | -481,137 | | | | -492,967 |
| VARIANCE | 0 | | | | 0 | | | | 11,464 | | | | 28,979 | | | | 46,439 |
| <i>Band D Council Tax</i> | <i>£1,410.78</i> | | | | <i>£1,452.97</i> | | | | <i>£1,481.88</i> | | | | <i>£1,511.37</i> | | | | <i>£1,541.45</i> |
| <i>Increase</i> | <i>4.99%</i> | | | | <i>2.99%</i> | | | | <i>1.99%</i> | | | | <i>1.99%</i> | | | | <i>1.99%</i> |

* provisional for 2023/24 and later years

** preventative expenditure within other Departments' budgets to be identified and absorbed into the ring fenced budget

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APPENDIX B**2022/23 REVENUE BUDGET**

| | Base including inflation £000 | Growth £000 | Savings £000 | TOTAL 2022/23 £000 |
|---|--|----------------|-----------------|--------------------------|
| Spending | | | | |
| Services : | | | | |
| Schools * | | | | 0 |
| Children & Family Services | 88,871 | 5,435 | -3,770 | 90,536 |
| Adults & Communities | 156,634 | 25,840 | -11,020 | 171,454 |
| Public Health ** | -1,348 | 0 | -100 | -1,448 |
| Environment & Transport | 82,966 | 1,845 | -1,710 | 83,101 |
| Chief Executives | 12,455 | 360 | -90 | 12,725 |
| Corporate Resources | 33,451 | 1,855 | -910 | 34,396 |
| | 373,029 | 35,335 | -17,600 | 390,764 |
| DSG (Central Dept recharges) | -2,285 | | | -2,285 |
| MTFS Risks Contingency | 8,000 | | | 8,000 |
| Contingency for inflation/ Living Wage | 27,268 | | | 27,268 |
| | 406,012 | 35,335 | -17,600 | 423,747 |
| Central Items: | | | | |
| Financing of capital | 19,500 | | | 19,500 |
| Revenue funding of capital | 2,500 | | | 2,500 |
| Bank & other interest | -1,400 | | | -1,400 |
| Central expenditure | 2,449 | 0 | -150 | 2,299 |
| Total Central Items | 23,049 | 0 | -150 | 22,899 |
| Total Services & Central Items | 429,061 | 35,335 | -17,750 | 446,646 |
| Contributions to budget equalisation earmarked fund | | | | 14,500 |
| Contributions to General Fund | | | | 1,000 |
| Total Spending | | | | 462,146 |
| Funding | | | | |
| Business Rates - Top Up | | | | -40,346 |
| Business Rates Baseline/Retained | | | | -25,528 |
| S31 grants - Business Rates | | | | -7,330 |
| Council Tax Precept | | | | -352,210 |
| Council Tax Collection Fund net deficit / (surplus) | | | | -1,000 |
| Provision for impact of Covid-19 on funding | | | | 1,000 |
| New Homes Bonus Grant | | | | -895 |
| Improved Better Care Grant etc. | | | | -13,670 |
| Social Care Grant | | | | -14,167 |
| New Grant (22/23 £1.6bn) | | | | -8,000 |
| Total Funding | | | | -462,146 |
| VARIANCE | | | | 0 |
| <i>Band D Council Tax</i> | | | | <i>£1,452.97</i> |
| <i>Increase</i> | | | | <i>2.99%</i> |

* Schools - Delegated and Schools Block budgets funded by Dedicated Schools Grant

** Public Health funded by Grant

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| References | <u>SAVINGS</u> | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 |
|--|-----------------------|--|-----------------|-----------------|-----------------|
| References used in the following tables | | | | | |
| * items unchanged from previous Medium Term Financial Strategy | | | | | |
| ** items included in the previous Medium Term Financial Strategy which have been amended | | | | | |
| Eff - Efficiency saving | | | | | |
| SR - Service reduction | | | | | |
| Inc - Income | | | | | |
| <u>CHILDREN & FAMILY SERVICES</u> | | | | | |
| ** CF1 | Eff | Pathways workstream - Focus on prevention, unit and duration of interventions across all pathways | | | |
| | | -1,055 | -1,270 | -1,335 | -1,450 |
| ** CF2 | Eff | Settings workstream - Reduced care placement costs through growth of in-house capacity & supported lodgings and a review of placements | | | |
| | | -2,115 | -5,175 | -7,250 | -10,500 |
| ** CF3 | Eff | Disabled Children's Service Enablement Workstream <i>Total Defining CFS For the Future Programme</i> | | | |
| | | -100 | -200 | -250 | -300 |
| | | -3,270 | -6,645 | -8,835 | -12,250 |
| ** CF4 | Eff | Innovation Partnership - Creation of Assessment & Resource team and Hub and investment in residential accommodation | | | |
| | | -250 | -500 | -750 | -1,250 |
| ** CF5 | Eff | Departmental efficiency savings | | | |
| | | -250 | -500 | -750 | -1,000 |
| | | -3,770 | -7,645 | -10,335 | -14,500 |
| <u>ADULTS & COMMUNITIES</u> | | | | | |
| <u>Adult Social Care</u> | | | | | |
| ** AC1 | Inc | Increased income from fairer charging and removal of subsidy / aligning increases | | | |
| | | -1,100 | -1,200 | -1,300 | -1,400 |
| ** AC2 | Eff | Social Care Investment Plan - reduced cost of care | | | |
| | | -200 | -200 | -950 | -950 |
| ** AC3 | Inc | Additional BCF/Health income | | | |
| | | -1,300 | -1,300 | -1,300 | -1,300 |
| ** AC4 | Eff | Implementation of Target Operating Model (TOM) | | | |
| | | -300 | -800 | -800 | -800 |
| ** AC5 | Eff | Implementation of digital assistive technology to service users | | | |
| | | -350 | -1,000 | -2,250 | -2,250 |
| ** AC6 | Eff | Establishment Review following implementation of TOM programme | | | |
| | | -450 | -800 | -800 | -800 |
| * AC7 | Eff | Digital Self Serve financial assessments | | | |
| | | -100 | -100 | -100 | -100 |
| ** AC8 | Eff | Review of Mental Health pathway and placements | | | |
| | | -500 | -750 | -750 | -750 |
| * AC9 | Eff | Review of placements transitioning from Children's | | | |
| | | -120 | -180 | -240 | -240 |
| AC10 | Eff | Review of Direct Services/Day Services/Short Breaks | | | |
| | | -70 | -500 | -500 | -500 |
| AC11 | Eff | Review Discharge to Assess and other high cost placements | | | |
| | | -500 | -500 | -500 | -500 |
| AC12 | Inc | Potential continuation of Health income for additional discharges | | | |
| | | -6,000 | -6,000 | -6,000 | -6,000 |
| | | -10,990 | -13,330 | -15,490 | -15,590 |
| <u>Communities and Wellbeing</u> | | | | | |
| ** AC13 | Eff/SR | Implementation of revised service for communities and wellbeing | | | |
| | | -30 | -170 | -170 | -170 |
| | | -30 | -170 | -170 | -170 |
| <u>TOTAL A&C</u> | | | | | |
| | | -11,020 | -13,500 | -15,660 | -15,760 |
| <u>PUBLIC HEALTH</u> | | | | | |
| ** PH1 | Eff/SR | Early Help & Prevention Review - review of externally commissioned prevention services | | | |
| | | -65 | -65 | -65 | -65 |
| PH2 | Eff/SR | Redesign of integrated lifestyle service pathways | | | |
| | | | | -100 | -100 |
| PH3 | Eff/SR | Review of Commissioned services | | | |
| | | -35 | -35 | -35 | -125 |
| | | -100 | -100 | -200 | -290 |
| <u>ENVIRONMENT & TRANSPORT</u> | | | | | |
| <u>Highways & Transport</u> | | | | | |
| ** ET1 | Eff/SR | Implement Review of Social Care and SEN Transport (Phase 2) | | | |
| | | -350 | -350 | -350 | -350 |
| ** ET2 | Eff | Temporary Traffic Management | | | |
| | | -20 | -20 | -20 | -20 |
| ** ET3 | Eff/Inc | Street Lighting - design services to developers and installation of street lighting on their behalf | | | |
| | | -40 | -65 | -75 | -75 |
| ** ET4 | Eff/Inc | E&T Continuous Improvement Programme - review of processes and potential income across a range of services | | | |
| | | -340 | -480 | -490 | -490 |
| ET5 | Eff | SEN Transport Lean Review | | | |
| | | -710 | -1,060 | -1,060 | -1,060 |
| ET6 | Eff | Passenger Transport Service - develop digital offer | | | |
| | | 0 | 0 | -150 | -150 |
| ET7 | Eff | Small Fleet Servicing | | | |
| | | -100 | -100 | -100 | -100 |
| ET8 | Eff | Low level street lighting energy savings | | | |
| | | -30 | -30 | -30 | -30 |
| | | -1,590 | -2,105 | -2,275 | -2,275 |

| References | <u>SAVINGS</u> | | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--|-----------------------|---|----------------|----------------|----------------|-----------------|
| | | | £000 | £000 | £000 | £000 |
| <u>Environment & Waste</u> | | | | | | |
| ** ET9 | Eff/Inc | Recycling & Household Waste Sites service approach | -30 | -80 | -190 | -190 |
| ** ET10 | Inc | Trade Waste income | -45 | -75 | -105 | -105 |
| ** ET11 | Eff | Future residual waste strategy- reduced disposal costs | 0 | -985 | -985 | -985 |
| * ET12 | Eff | Procurement savings from contract renewals | -30 | -30 | -30 | -30 |
| ET13 | Eff | Ashby Canal maintenance | -15 | -15 | -15 | -15 |
| Total | | | -120 | -1,185 | -1,325 | -1,325 |
| TOTAL E&T | | | -1,710 | -3,290 | -3,600 | -3,600 |
| <u>CHIEF EXECUTIVE</u> | | | | | | |
| ** CE1 | SR/Eff | Staffing (vacancy control and agency reduction) | 0 | -50 | -100 | -100 |
| * CE2 | Inc | Planning, Historic and Natural Environment - fee income | -25 | -50 | -75 | -75 |
| CE3 | Eff | Review of Legal Case Management and New Ways of Working | 0 | -200 | -300 | -500 |
| CE4 | Eff | LGA subscription saving | -65 | -65 | -65 | -65 |
| TOTAL | | | -90 | -365 | -540 | -740 |
| <u>CORPORATE RESOURCES</u> | | | | | | |
| ** CR1 | Eff | Ways of Working - Use of office space | 0 | -845 | -670 | -1,380 |
| ** CR2 | Eff/Inc | Increasing Commercial Services contribution | 0 | -200 | -375 | -640 |
| * CR3 | Eff | Environment improvements - energy & water | -50 | -50 | -50 | -50 |
| ** CR4 | Eff | Increase returns from Corporate Asset Investment Fund | -600 | -1,500 | -1,600 | -1,600 |
| ** CR5 | Inc | Place to Live - Accommodation income | -40 | -80 | -120 | -120 |
| CR6 | Eff | Customer & Digital Programme | -70 | -180 | -180 | -680 |
| CR7 | Eff | Operational Finance process improvement | 0 | -100 | -100 | -100 |
| CR8 | Eff | Transformation Unit efficiencies | -50 | -130 | -200 | -200 |
| CR9 | Eff | Insurance – integration with Internal Audit and review of cover | -75 | -75 | -75 | -75 |
| CR10 | Eff | Reduced Business Travel | -25 | -25 | -25 | -25 |
| TOTAL | | | -910 | -3,185 | -3,395 | -4,870 |
| <u>CENTRAL ITEMS</u> | | | | | | |
| ** CI1 | Inc | Growth in ESPO income | -150 | -170 | -250 | -250 |
| TOTAL | | | -150 | -170 | -250 | -250 |
| TOTAL SAVINGS including additional income | | | -17,750 | -28,255 | -33,980 | -40,010 |
| MTFS net shortfall - savings required | | | | -11,464 | -28,979 | -46,439 |
| TOTAL SAVINGS REQUIRED - EXCLUDING DSG | | | -17,750 | -39,719 | -62,959 | -86,449 |
| <u>Dedicated Schools Grant - Deficit reduction activity</u> | | | | | | |
| <u>High Needs Development Plan</u> | | | | | | |
| | | Demand savings | -280 | -1,010 | -2,050 | -3,375 |
| | | Benefit of local provision & practice improvements | -4,215 | -6,190 | -8,845 | -11,070 |
| | | | -4,495 | -7,200 | -10,895 | -14,445 |
| TOTAL SAVINGS REQUIRED - INCLUDING DSG | | | -22,245 | -46,919 | -73,854 | -100,894 |

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.

Children and Family Services**Further savings from the DCFSF programme**

As the Defining Children & Family Services for the Future (DCFSF) programme new ways of working are embedded, further analysis and strategic review will be undertaken to identify potential new opportunities to take forward in the following areas:

- Review non statutory and lower priorities, recognising the upstream value add of early intervention preventative services
- Identifying any services to outsource or bring in-house
- Placement Unit Costs and the Commissioning framework and processes – including 16+ placements and further SCIP investment
- Edge of Care
- Use of Systems & Back Office Support Functions
- Commercial opportunities
- Partnerships – health, education, police, community
- Maximising the potential of grants and funding identified in the Spending Review

As the savings opportunities are identified they will be prioritised based on amount of savings, impact and deliverability.

Adults and Communities**Digitalisation of service delivery**

Digitalisation of service delivery and support for service users. These include increasing choices in self-service through a digital portal enabling people to undertake online care assessments and complements work already being explored to increase uptake of self-service online financial assessments. Savings would be a mixture of cashable and avoided cost. Crucial to delivering savings in this area will be promoting and steering people towards engaging with service online.

Digital assistive technology

Savings of £2.25m have already been built into the main savings programme for this. However, there is likely to be additional scope over and above this figure. This will be reviewed as the programme develops

Public Health

Early Help and Prevention

Explore potential to expand Early Help and Prevention to include a review of services across the authority to ensure interventions are efficient and effective.

Internal Infrastructure Costs (Weight Management)

A review of the infrastructure costs that are paid to organisations will be conducted to determine whether this funding is still needed.

Health Checks

Redesign of the Health Check programme to see what scope there is for delivering this service in a different way whilst still ensuring the statutory element of the service is provided.

CCG Prescribing Recharges

CCGs in Leicestershire currently recharge Public Health for prescription items related to Public Health activity. However, in many authorities this isn't the case. There is an opportunity to ensure a standardised approach as CCGs move towards an integrated care model.

Service Efficiencies

A review of the costs of each interaction with service users to see what opportunities there are to provide services, more efficiently whilst still delivering desired outcomes.

Commercialisation of elements of the school offer

Selling some of the current PH services to schools and workplaces. This will initially be explored in the County, but given the ability of the public health service to deliver services in house, the opportunities to provide services outside Leicestershire could also be explored.

Environment & Transport

Expansion of Continuous Improvement approach

The existing continuous improvement saving is primarily based on the pilot within Highways Delivery. The Department Management Team has agreed to roll out the approach to the other branches of the department to identify further savings within individual teams across the department. Workshops with individual team managers in Environment & Waste and Development & Growth are currently underway, with a proposed £400k target for opportunities identified as a result. Opportunities will be assessed, prioritised and scheduled for delivery over the life of the MTFs.

SEN Transport Lean Review

Potential for savings has been identified by Newton Europe from expanding the use of Fleet Transport. This would allow service users to be transferred from high cost taxi contracts onto Fleet. A further opportunity has been identified to introduce a comprehensive marketing / communications approach to voluntary PTBs to increase take-up further.

Digital Approach to Home to School Transport

Newton Europe phase 2 to include end to end integration with Children and Family Service (CFS) and digital delivery. Broader work with C&FS and digital colleagues is being scoped.

Developer Income

Work proposed to review the approach to engaging with developers across the Department, identifying opportunities to maximise the income potential. Currently there are a number of approaches in different teams (such as s278, the work in Street Lighting savings, and a previously developed proposal for introduction of pre-app charges in highway development control). There are examples of other authorities that have a single approach to developer engagement that delivers and maximises income from the various activities included.

Grass Cutting service approach

Potential to see whether increasing wildflower populations on verges provides opportunities for reductions in grass cutting in urban areas.

County Wide Parking

Consider the introduction of on-street parking charges to parking on the highway in bays that are currently waiting time limited in line with available statutory powers.

Bus Lane & Other Enforcement

Look at options arising from new powers to enable enforcement of moving traffic offences.

School Crossing Patrol funding

School Crossing Patrols are not a statutory function and do not need to be provided. Assuming patrols are to continue then the authority could seek funding from schools or other sources to cover costs.

Green Driver Training

The Energy Savings Trust, in the LCC Green Fleet Review, estimate that a 5-10% reduction in fuel use could be achieved through a programme of driver training.

Conversion to Electric Vehicles

Work is underway looking at the potential for switching to Electric vehicles (EV). The installation of EV infrastructure and adoption of EV vehicles will be subject to a business case. This will require up-front investment, but it is anticipated that through switching the volume of liquid fuels will decrease, reducing carbon, and it will also lead to reduced expenditure on fuel.

Future WTS and Trade Waste Commercial Work

The County Council operates a Waste Transfer Station (WTS) at Loughborough RHWS. With the insourcing of Whetstone RHWS and WTS from 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.

Impact of DEFRA Resources & Waste Strategy

Three major consultations on statutory reforms that will impact on the authority's existing operations and arrangements have been undertaken during 2021 that could lead to savings:

1. Extended Producer Responsibility (to be launched 2023): making producers pay the full net cost of managing the packaging they place on the market, setting more ambitious targets for producers and introducing clear and consistent labelling for recycling.
2. Deposit Return Scheme (to be launched late 2024): charging consumers a deposit on most drinks containers redeemable on return to designated return points.
3. Consistency in household and business recycling collections: effective through a standardised core set of dry recyclable materials for collection; separate weekly food waste collections and free green waste collection. Underpinning this will be an increase in recycling rates to encourage more recycling.

Chief Executive's

Corporate Reviews

The Strategy and Business Intelligence (SBI) service provides a range of services which support and interact with services provided in the Council's other departments. In each of these areas there is good collaboration between SBI and departments but also scope to improve existing working arrangements to avoid potential duplication, improve practice and efficiency and potentially realise savings.

Increased Income

Increase in charges in respect of authorised legal work undertaken for external bodies e.g. Leicestershire Fire & Rescue Service and Academy Trusts within Leicestershire; in respect of legal work undertaken in connection with new development e.g. s106 and s38/278 Highways Act agreements and miscellaneous matters that can be charged for e.g. Highway Licenses. Other areas of the department, such as Trading Services, Planning and Democratic Services will also be looked at to see what scope there is for charging other bodies for services provided.

Coronial Services

Potential efficiencies could occur from a different operating model for coronial services in the future.

Corporate Resources

Salary Sacrifice Shared Cost Additional Voluntary Contributions (AVC)

The department has been approached by a third party about introducing Salary Sacrifice Shared Cost AVC. This approach would provide an NI saving to employers, which is available to the County Council.

Vacant Properties

Alongside the property estate rationalisation being progressed as part of the Ways of Working Programme, Strategic Property and Operational Property will continue to assess the Council's fluid 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..

Additional CAIF savings

Further schemes could potentially be developed, subject to wider economic, financial return and planning considerations, which would provide increased income from the CAIF

Insurance Claims

Claims can be received by the authority several decades after the event, making estimation of the liabilities incurred in any year extremely difficult. An external review will be commissioned to ascertain if the annual provisions can be reduced.

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| References | <u>GROWTH</u> | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 |
|--|---|-----------------|-----------------|-----------------|-----------------|
| <u>CHILDREN & FAMILY SERVICES</u> | | | | | |
| Demand & cost increases | | | | | |
| ** G1 | Demographic growth- Social Care Placements | 2,265 | 7,715 | 13,075 | 19,250 |
| ** G2 | Front-line social care staff - increased caseloads | 3,100 | 3,840 | 5,075 | 5,595 |
| ** G3 | Social Care market premia to support recruitment | 20 | 40 | 60 | 80 |
| ** G4 | Unaccompanied Asylum Seekers - additional demand | 50 | 100 | 150 | 200 |
| TOTAL | | 5,435 | 11,695 | 18,360 | 25,125 |
| <u>ADULTS & COMMUNITIES</u> | | | | | |
| Demand & cost increases | | | | | |
| ** G5 | Older people - new entrants and increasing needs in community based services and residential admissions | 15,420 | 15,980 | 16,860 | 17,740 |
| ** G6 | Learning Disabilities - new entrants including children transitions and people with complex needs | 5,290 | 6,840 | 8,090 | 9,440 |
| ** G7 | Mental Health - new entrants in community based services and residential admissions | 2,080 | 2,590 | 3,020 | 3,440 |
| ** G8 | Physical Disabilities - new entrants in community based services | 2,200 | 2,650 | 3,090 | 3,540 |
| G9 | Care pathway market premia and step up to social work | 350 | 350 | 350 | 350 |
| G10 | Social Care Investment Programme -staffing resources | 500 | 500 | 500 | 500 |
| TOTAL | | 25,840 | 28,910 | 31,910 | 35,010 |
| <u>ENVIRONMENT & TRANSPORT</u> | | | | | |
| <u>Highways & Transport</u> | | | | | |
| Demand & cost increases | | | | | |
| ** G11 | Special Educational Needs transport - increased client numbers/costs | 1,200 | 2,300 | 3,850 | 5,150 |
| G12 | Resources to support management of risks associated with Capital Programme delivery | 265 | 265 | 265 | 265 |
| G13 | Resources to address safety compliance matters across Transport Operations | 45 | 45 | 45 | 45 |
| G14 | Passenger Transport Service | 150 | 150 | 150 | 150 |
| G15 | Highway Maintenance (LGA subscription saving) | 65 | 65 | 65 | 65 |
| Total | | 1,725 | 2,825 | 4,375 | 5,675 |
| <u>Environment & Waste</u> | | | | | |
| Demand & cost increases | | | | | |
| * G16 | Waste tonnage increases (temporary growth removed) | -100 | -100 | -100 | -100 |
| ** G17 | Contribution to Regional Waste Project (temporary growth removed) | 0 | -15 | -50 | -50 |
| Total | | -100 | -115 | -150 | -150 |
| <u>Department Wide</u> | | | | | |
| G18 | HGV Driver Market Premia | 110 | 110 | 110 | 0 |
| G19 | Hydrotreated Vegetable Oil to replace bunkered diesel (CO2 saving) | 110 | 110 | 110 | 110 |
| Total | | 220 | 220 | 220 | 110 |
| TOTAL E&T | | 1,845 | 2,930 | 4,445 | 5,635 |
| <u>CHIEF EXECUTIVES</u> | | | | | |
| Demand & cost increases | | | | | |
| G20 | Connectivity (Broadband) Team - core funding until 2023/24; sources of external funding to be explored | 5 | 10 | -220 | -220 |
| G21 | Midland Engine subscription | 20 | 20 | 20 | 20 |
| G22 | Coroner's Service - additional costs from Leicester City due to increase in number of cases | 80 | 80 | 80 | 80 |
| G23 | Trading Standards -additional responsibilities placed on the service by the Government and an increase in demand for service delivery | 120 | 120 | 120 | 120 |
| G24 | Carbon Reduction Programme | 135 | 135 | 135 | 135 |
| TOTAL | | 360 | 365 | 135 | 135 |

| References | <u>GROWTH</u> | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|------------|---|---------------|---------------|---------------|---------------|
| | | £000 | £000 | £000 | £000 |
| | <u>CORPORATE RESOURCES</u> | | | | |
| | Demand & cost increases | | | | |
| * G25 | Customer Service Centre - support service levels (temporary growth removed) | -100 | -200 | -200 | -200 |
| ** G26 | ICT license subscriptions and support costs & increased email security | 325 | 325 | 325 | 325 |
| G27 | Additional Procurement & Finance support for the Capital Programme | 145 | 145 | 145 | 145 |
| G28 | ICT service desk and project support resources to meet increased demands | 110 | 110 | 110 | 110 |
| G29 | Health, safety & wellbeing - increased demands and legislative changes to fire safety regulations | 75 | 100 | 100 | 100 |
| G30 | Pressures arising from additional External Audit requirements | 50 | 50 | 50 | 50 |
| G31 | Increased demand for Communications Team | 0 | 70 | 70 | 70 |
| G32 | Commercial Services - reduce target | 1,150 | 1,150 | 1,150 | 1,150 |
| G33 | Investment in Tree Nurseries | 100 | 100 | 100 | 100 |
| | TOTAL | 1,855 | 1,850 | 1,850 | 1,850 |
| | <u>CORPORATE GROWTH</u> | | | | |
| ** G34 | Growth contingency | 0 | 7,085 | 13,635 | 20,000 |
| | TOTAL | 0 | 7,085 | 13,635 | 20,000 |
| | TOTAL GROWTH | 35,335 | 52,835 | 70,335 | 87,755 |
| | <i>Overall net additional growth</i> | | 17,500 | 17,500 | 17,420 |

CHILDREN & FAMILY SERVICES - CAPITAL PROGRAMME 2022-26

| Estimated Completion Date | Gross Cost of Project £000 | | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | Total £000 |
|---------------------------|----------------------------|--|---------------|---------------|---------------|--------------|---------------|
| | | <u>MAIN GRANT FUNDED PROGRAMME</u> | | | | | |
| Mar-26 | 62,296 | Provision of Additional School Places | 24,113 | 19,342 | 14,591 | 4,250 | 62,296 |
| | | SEND Programme | | | | | |
| Mar-24 | 9,000 | SEMH Special School - Free School | 1,000 | 8,000 | | | 9,000 |
| Mar-23 | 2,300 | Expansion of Special Schools | 2,300 | | | | 2,300 |
| Mar-23 | 2,612 | New/Expansion of Special School | 2,612 | | | | 2,612 |
| | | Sub-total - SEND Programme | 5,912 | 8,000 | 0 | 0 | 13,912 |
| Mar-26 | 8,000 | Strategic Capital Maintenance | 2,000 | 2,000 | 2,000 | 2,000 | 8,000 |
| Mar-26 | 2,000 | Schools Devolved Formula Capital | 500 | 500 | 500 | 500 | 2,000 |
| Mar-25 | 600 | Schools Access / Security | 200 | 200 | 200 | | 600 |
| | | Children's Social Care Investment Plan (SCIP) | | | | | |
| Mar-23 | 2,500 | Assessment & Residential - Multi-functional properties x 4 | 259 | | | | 259 |
| Mar-23 | 2,000 | Residential Homes - phase1 | 2,000 | | | | 2,000 |
| Mar-26 | 5,000 | Residential Homes - subject to business cases | 0 | 1,500 | 1,750 | 1,750 | 5,000 |
| | | Other Capital | 4,959 | 4,200 | 4,450 | 4,250 | 17,859 |
| | | Overall Total | 34,984 | 31,542 | 19,041 | 8,500 | 94,067 |

| | | | | | | | |
|--|--|---|--|--|--|--|--|
| | | <u>Future Developments - subject to further detail and approved business cases</u> | | | | | |
| | | New Area Special School | | | | | |
| | | Additional School Infrastructure arising from Housing Developments | | | | | |
| | | SEN Provision arising from new housing developments | | | | | |
| | | Further Residential Opportunities | | | | | |

ADULTS & COMMUNITIES - CAPITAL PROGRAMME 2022-26

| Estimated Completion Date | Gross Cost of Project £000 | | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | Total £000 |
|---------------------------|----------------------------|--|--------------|--------------|--------------|--------------|---------------|
| Mar-26 | 17,788 | Disabled Facilities Grant (DFG) | 4,447 | 4,447 | 4,447 | 4,447 | 17,788 |
| Mar-23 | 30 | Changing Places/Toilets (Personal Assistance) | 30 | | | | 30 |
| | | | 4,477 | 4,447 | 4,447 | 4,447 | 17,818 |
| Mar-25 | 5,500 | <u>Social Care Investment Plan (SCIP):</u> Specialist Dementia Facility - Coalville | 1,940 | 2,550 | 950 | | 5,440 |
| Mar-25 | 3,955 | SCIP - Additional accommodation schemes to be confirmed | 500 | 1,955 | 1,500 | | 3,955 |
| | | Sub-Total SCIP | 2,440 | 4,505 | 2,450 | 0 | 9,395 |
| | | Total A&C | 6,917 | 8,952 | 6,897 | 4,447 | 27,213 |

| | | | | | | | |
|--|--|---|--|--|--|--|--|
| | | <u>Future Developments - subject to further detail and approved business cases</u> Records Office Heritage and Learning Collections Hub Adult Accommodation Strategy (Social Care Investment Plan) Digital for A&C | | | | | |
|--|--|---|--|--|--|--|--|

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2022-26

| Estimated Completion Date | Gross Cost of Project £000 | | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | Total £000 |
|---------------------------|----------------------------|--|---------------|---------------|---------------|---------------|----------------|
| | | <u>Major Schemes</u> | | | | | |
| Mar-25 | 85,270 | Melton Distributor Road - North and East Sections | 19,909 | 29,945 | 19,745 | | 69,599 |
| Mar-26 | 37,500 | Melton Distributor Road - Southern Section | 1,993 | 3,684 | 23,441 | 5,601 | 34,720 |
| Mar-24 | 12,430 | Zouch Bridge Replacement - Construction and Enabling Works | 5,000 | 5,427 | | | 10,427 |
| Mar-26 | 10,595 | County Council Vehicle Replacement Programme | 2,995 | 2,700 | 2,400 | 2,500 | 10,595 |
| Mar-26 | 12,097 | Advance Design / Match Funding | 3,068 | 3,438 | 3,233 | 2,358 | 12,097 |
| Mar-24 | 5,430 | A511/A50 Major Road Network - Advanced design | 942 | 2,429 | | | 3,371 |
| Mar-25 | 10,000 | Melton Depot - Replacement | 550 | 8,127 | 968 | | 9,645 |
| Mar-24 | 1,700 | Leicester and Leicestershire Integrated Transport Model - Refresh | 1,250 | 450 | | | 1,700 |
| | | | 35,706 | 56,201 | 49,787 | 10,459 | 152,153 |
| Mar-26 | 46,706 | <u>Transport Asset Management</u> | 0 | 19,048 | 14,531 | 13,127 | 46,706 |
| Mar-23 | 2,499 | Capital Schemes and Design | 2,499 | | | | 2,499 |
| Mar-23 | 1,081 | Bridges | 1,081 | | | | 1,081 |
| Mar-23 | 303 | Flood Alleviation- Environmental works | 303 | | | | 303 |
| Mar-23 | 1,730 | Street Lighting | 1,730 | | | | 1,730 |
| Mar-23 | 433 | Traffic Signal Renewal | 433 | | | | 433 |
| Mar-23 | 3,956 | Preventative Maintenance - (Surface Dressing) | 3,956 | | | | 3,956 |
| Mar-23 | 8,978 | Restorative (Patching) | 8,978 | | | | 8,978 |
| Mar-23 | 21 | Public rights of way maintenance | 21 | | | | 21 |
| Mar-23 | 47 | Network Performance & Reliability | 47 | | | | 47 |
| Mar-23 | 5,655 | Hinckley Hub (Hawley Road) - National Productivity Investment Fund | 0 | 1,335 | | | 1,335 |
| Mar-26 | 1,100 | Safety Schemes | 300 | 300 | 250 | 250 | 1,100 |
| Mar-25 | 770 | Highways Depot Improvements - subject to business case | 0 | 370 | 400 | | 770 |
| | | | 19,348 | 21,053 | 15,181 | 13,377 | 68,959 |
| | | <u>Environment & Waste</u> | | | | | |
| Mar-23 | 5,500 | Kibworth Site Redevelopment (Commitments b/f) | 2,000 | | | | 2,000 |
| Mar-23 | 9,000 | Waste Transfer Station Development (Commitments b/f) | 1,000 | | | | 1,000 |
| Mar-26 | 1,852 | Recycling Household Waste Sites - General Improvements | 210 | 232 | 1,160 | 250 | 1,852 |
| Mar-23 | 75 | Recycling Household Waste Sites - Lighting | 75 | | | | 75 |
| Mar-23 | 340 | Mobile Plant | 170 | | | | 170 |
| | | | 3,455 | 232 | 1,160 | 250 | 5,097 |
| | | Total E&T | 58,509 | 77,486 | 66,128 | 24,086 | 226,209 |

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2022-26 (Continued)

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| | | <u>Future Developments - subject to further detail and approved business cases</u> RHWS Lighting New Melton RHWS Additional bid development/match funding Lutterworth Spine Road Windrow Composting Facility Compaction equipment Whetstone mobile plant A511 Corridor Green vehicle fleet | | | | | |
|--|--|--|--|--|--|--|--|

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2022-26

| Estimated Completion Date | Gross Cost of Project £000 | | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | Total £000 |
|---------------------------|----------------------------|---|--------------|--------------|--------------|--------------|------------|
| Mar-26 | 400 | Leicestershire Grants | 100 | 100 | 100 | 100 | 400 |
| Mar-24 | 250 | Legal - Case Management System - subject to business case | 0 | 250 | | | 250 |
| | | Total Chief Executives | 100 | 350 | 100 | 100 | 650 |

| | | | | | | | |
|--|--|---|--|--|--|--|--|
| | | <u>Future Developments - subject to further detail and approved business cases</u> Rural Broadband Scheme | | | | | |
|--|--|---|--|--|--|--|--|

CORPORATE RESOURCES - CAPITAL PROGRAMME 2022-26

| Estimated Completion Date | Gross Cost of Project £000 | | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | Total £000 |
|---------------------------|----------------------------|---|-----------------|-----------------|-----------------|-----------------|---------------|
| | | <u>ICT</u> | | | | | |
| Mar-26 | 700 | Network Equipment | 0 | 0 | 100 | 600 | 700 |
| Mar-26 | 240 | Replacement of IT Service Management toolset and User Portal | 0 | 0 | 0 | 240 | 240 |
| Mar-26 | 50 | Remote Access Refresh | 50 | 0 | 0 | 50 | 100 |
| Mar-26 | 1,700 | Hyper-Converged Infrastructure (HCI) Refresh/re-license | 200 | 0 | 0 | 1,500 | 1,700 |
| Mar-23 | 950 | Backup System Replacement | 950 | | | | 950 |
| | | Sub total ICT | 1,200 | 0 | 100 | 2,390 | 3,690 |
| | | <u>Transformation Unit - Ways of Working</u> | | | | | |
| Mar-24 | 1,334 | Workplace Strategy - Office Infrastructure | 1,084 | 250 | | | 1,334 |
| Mar-26 | 9,400 | Workplace Strategy - End User Device (PC, laptop) | 1,580 | 1,209 | 862 | 1,293 | 4,944 |
| Mar-25 | 1,310 | Workplace Strategy - property costs, dilapidations and refurbishments | 700 | 210 | 400 | | 1,310 |
| | | Sub total Transformation Unit | 3,364 | 1,669 | 1,262 | 1,293 | 7,588 |
| | | <u>Property Services</u> | | | | | |
| Mar-24 | 440 | County Hall Lift Replacement Scheme | 150 | 130 | | | 280 |
| | | Sub total Property Services | 150 | 130 | 0 | 0 | 280 |
| | | <u>Climate Change - Environmental Improvements</u> | | | | | |
| Mar-24 | 650 | Score + (Schools Energy Efficiency Scheme) | 330 | 320 | | | 650 |
| Mar-24 | 90 | Electric Vehicle Car Charge Points | 0 | 90 | | | 90 |
| Mar-23 | 15 | Minimum Energy Efficiency Standards & Performance Certificates | 15 | | | | 15 |
| | | Sub total Energy | 345 | 410 | 0 | 0 | 755 |
| | | Total Corporate Resources | 5,059 | 2,209 | 1,362 | 3,683 | 12,313 |

CORPORATE RESOURCES - CAPITAL PROGRAMME 2022-26 (Continued)

| | | | | | | |
|--|--|--|--|--|--|--|
| | <p><u>Future Developments - subject to further detail and approved business cases</u> Major System Replacements, IAS, Mosaic, Capita One, STADS, PAMS, s106 system <u>ICT Future Development:</u> Remote Access Network Connectivity (Resiliency) WDM Equipment (DC to DC Connectivity Hardware) Telephony Equipment Load Balancers Mobile Smartphone Refresh Solaris Storage <u>Country Parks Future Developments:</u> Potential for further Cafés Country Parks - ANPR ticketless car parking expansion Ashby Wouds Heritage Trail - resurfacing Broombriggs Farm Cottage - refurbishment New Adventure Play Facility <u>Climate Change Future Developments:</u> Energy & Water Strategy - Invest to save Green energy generation Decarbonisation of LCC's Property Estate Score + (Schools Energy Efficiency Scheme)</p> | | | | | |
|--|--|--|--|--|--|--|

CORPORATE - CAPITAL PROGRAMME 2022-26

| Estimated Completion Date | Gross Cost of Project £000 | | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | Total £000 |
|---------------------------|----------------------------|---|---------------|---------------|---------------|---------------|----------------|
| | | <u>Corporate Asset Investment Fund (CAIF)</u> | | | | | |
| Mar-26 | 9,400 | Airfield Business Park - Phase 3-4 | 6,300 | 2,100 | 0 | 1,000 | 9,400 |
| Mar-23 | 6,390 | Quorn Solar Farm | 6,178 | | | | 6,178 |
| Mar-24 | 2,750 | M69 Junction 2 - SDA | 900 | 170 | | | 1,070 |
| Mar-24 | 8,200 | Lutterworth Leaders Farm - Drive Thru Restaurants | 2,500 | | | | 2,500 |
| Mar-23 | 5,000 | East of Lutterworth SDA (Planning and Preparatory works) | 4,000 | | | | 4,000 |
| Mar-26 | 1,000 | County Farms Estate - General Improvements | 250 | 250 | 250 | 250 | 1,000 |
| Mar-26 | 1,000 | Industrial Properties Estate - General Improvements | 250 | 250 | 250 | 250 | 1,000 |
| Mar-26 | 48,500 | Asset Acquisitions / New Investments - subject to Business Case | 5,000 | 10,000 | 13,000 | 20,000 | 48,000 |
| | | Sub total CAIF | 25,378 | 12,770 | 13,500 | 21,500 | 73,148 |
| Mar-26 | 60,000 | <u>Future Developments - subject to business cases</u> | 10,000 | 15,000 | 15,000 | 20,000 | 60,000 |
| Mar-26 | 20,600 | <u>Major Schemes Portfolio Risk</u> | 0 | 5,000 | 5,000 | 10,600 | 20,600 |
| | | Total Corporate Programme | 35,378 | 32,770 | 33,500 | 52,100 | 153,748 |

| | | | | | | | |
|--|--|---|--|--|--|--|--|
| | | <u>Future Developments - subject to further detail and approved business cases</u> | | | | | |
| | | Sustainability / Invest to Save Schemes | | | | | |

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