Meeting: **Cabinet**

Date/Time: **Friday, 23 September 2022 at 11.00 am**

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

Contact: **Mr. M. Hand (Tel. 0116 305 6038)**

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

Item		Report by	
4.	Medium Term Financial Strategy - Latest Position.	Director of Corporate Resources	(Pages 3 - 54)

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Agenda Item 4

Leicestershire County Council

CABINET - 23 SEPTEMBER 2022

MEDIUM TERM FINANCIAL STRATEGY - LATEST POSITION

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to provide the Cabinet with an update on the County Council's worsening short and medium term financial position in light of the current economic climate. It seeks approval for the stringent and wide ranging measures in order to help mitigate the position, including changes to the previously agreed 2022-26 capital programme. The report also covers the specific revenue budget monitoring position as at the end of period 4 (the end of July).

Recommendation

2. It is recommended that:

a) Noting the significant financial challenges faced by the County Council, including the period 4 monitoring from the current financial year, the proposed approach outlined in the report to updating the Medium Term Financial Strategy (MTFS), be approved;

b) That the revised Capital Programme for 2022/23 to 2025/26 as set out in Appendix C to the report be approved and that the Director of Corporate Resources be authorised:

(i) To approve invest to save schemes for inclusion in the Capital Programme;

(ii) In consultation with the relevant Chief Officer and following consultation with the relevant Lead Member, to pause capital schemes subject to further review and until additional cost information becomes available.

c) Each Chief Officer in consultation with the Director of Corporate Resources and following consultation with the relevant Lead Member(s), be requested to;

(i) Take action as necessary to bring forward, where possible, savings already budgeted for within the MTFS 2023/24 to 2025/26, including the current (2022/23) financial year;

(ii) Undertake work to develop a savings programme including preliminary work such as consultation, as considered appropriate to enable the Council to develop further savings for inclusion in the roll forward of the MTFS;

d) It be noted that no final commitments will be made on (i) and (ii) above before decisions on these matters are taken by elected members either as part of the County Council's MTFS for 2023/24-2026/27 or by the Cabinet following a report setting out full details of any proposed changes;

e) The position regarding the level of income received from local NHS bodies to cover social care costs, and the proposals to work with NHS colleagues to help to increase this, be noted;

f) That up to £0.4m in total be allocated for the provision of free school meal vouchers during October Half Term, noting that additional Government funding is expected to reimburse the Council for a part or the whole of this sum.

Reasons for Recommendation

3. To seek approval for the intended approach to the development of plans to address the latest financial position.

4. To seek agreement to the revised capital programme for 2022-26 which requires amendment as a result of the latest forecast financial position and enable the Director of Corporate Resources to make further amendments to include invest to save schemes and to pause schemes in order to further review their costings.

5. Authorising officers to bring forward savings already budgeted for within the MTFS 2023/24 to 2025/26 to enable savings to be progressed and delivered as soon as possible.

6. The development of a savings programme will enable the Authority to identify further areas of savings to be made to address the worsening financial position.

7. Create certainty that the provision of free school meal vouchers during the next school holiday will take place despite delays in receiving Government funding.

Timetable for Decision (including Scrutiny)

8. The Scrutiny Commission will consider a report on the MTFS position on the 7th September 2022 and its comments will be reported to the Cabinet.

9. The Cabinet will be asked to approve the draft MTFS 2023 to 2027 for consultation in December 2022. All Overview and Scrutiny Committees and the Scrutiny Commission

will consider the draft MTFS in late January 2023 and the Cabinet will then make a final recommendation to the County Council in February 2023.

Policy Framework and Previous Decisions

10. The MTFS for 2022/23 to 2025/26 was approved by the County Council on 23 February 2022. Over the autumn and winter of 2022 the MTFS will be reviewed and updated.

11. Regular reports have been provided to the Cabinet on the overall financial position. including a report in June 2022 which detailed the challenging financial position and authorised chief officers to undertake preparatory work to develop new savings and review existing capital schemes.

12. The MTFS forms part of the Budget and Policy Framework as set out in Part 4C of the Council's Constitution.

Resource Implications

13. The County Council is facing a challenging, worsening and frightening financial outlook. The current MTFS anticipated a funding gap of £8m in 2023/24 rising to £40m by 2025/26, despite savings of £54m being targeted. An initial review of the position in light of the emerging inflation levels suggested that the gap had grown to £28m next year rising to £71m by 2025/26, as reported to Cabinet in June 2022. Since then an offer has been made by the national employers in respect of the 2022/23 pay award (which is a fixed flat rate pay increase of £1,925 pa per employee to be implemented from 1st April 2022). This works out on average to be 6.4% and will add around £8m to costs in the current year over and above what is budgeted for with implications for future years, especially if further pay awards over and above 3% are agreed.

14. When the impact of inflation was assessed in June the Bank of England was expecting inflation to peak at 11% in October. The outlook has worsened again, with a peak of 13% now expected by the Bank although other commentators are predicting an even more ominous future. Despite a higher peak there are no indications that prices will fall back towards their historic level resulting in a permanent increase in the Council's cost base.

15. The pressures of high inflation levels, coupled with an ever-increasing demand for core services, is presenting a challenge across the whole local government sector. However, as a very low-funded authority Leicestershire is much worse placed than most to be able resolve the problem.

16. Based upon the available information and assuming Government support is not forthcoming the County Council's budget gap is set to grow from £8m to £28m next year and could even pass £135m by 2026. It is inevitable that the £54m of savings planned will have to increase significantly. The County Council will not be able to resolve this problem on its own, either expectations of what can be delivered will have to reduce or new funding found. £135m is in excess of one quarter of the Council's net budget.

17. The Council will continue to pursue efficiencies. However, it is clear now that in the current climate, and on the back of the £230m of savings already delivered since 2010, it will not be possible to balance the Council's financial position without impacting on front line service delivery. Statutory responsibilities will have to be prioritised, and whilst there may be scope for assessing service levels, it will primarily be discretionary services where most savings will need to be identified.

18. The Capital Programme also needs to be rationalised. A review over the summer has resulted in some schemes being removed or delayed and a reassessment of capital receipts. This has resulted in a net decrease in the funding gap of the capital programme by £9m to £134m overall providing an annual revenue saving of £0.5m per annum.

19. However, the capital review has also indicated that inflation increases across the programme, but mainly on the major capital projects, could add an additional £45m to the capital programme funding gap. This has not yet been included in the revised capital programme because of the wider financial implications. Unless action can be taken this would add around £2.5m per annum to the revenue budget.

20. The County Council continues to press the Government to address the imbalance on relative funding levels between local authorities. Furthermore, the financial situation also requires the Government to deal with the structural national issues around funding for those services, such as social care and Special Educational Needs and Disabilities (SEND), which are experiencing a relentless growth in demand. Proposals currently being pursued provide little comfort that the financial pressures falling on local authorities such as Leicestershire will be reduced in the short or medium term.

21. It is vital that the County Council continues to act to address its financial problem and act quickly. The challenge being faced will be felt by all, except the best funded, and the authorities unable to balance their budget first will ultimately face the biggest impact upon services.

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

Circulation under the Local Issues Alert Procedure

A copy of this report will be circulated to all members.

Officers to Contact

Mr C Tambini, Director of Corporate Resources,
Corporate Resources Department,
☎0116 305 6199 E-mail Chris.Tambini@leics.gov.uk

Mr D Keegan, Assistant Director (Finance, Strategic Property and Commissioning),
Corporate Resources Department,
☎0116 305 7668 E-mail Declan.Keegan@leics.gov.uk

PART B

2022/23 REVENUE BUDGET MONITORING – PERIOD 4

23. The period 4 revenue budget monitoring exercise shows a net projected overspend of £13.6m.

24. The 2022/23 revenue budget and the 2022/23 to 2025/26 capital programme were approved by the County Council at its budget meeting on 23 February 2022 as part of the Medium Term Financial Strategy. The monitoring information contained within this report is based on the pattern of expenditure to the end of July 2022.

25. A summary of the position on the revenue budget is shown below and set out in more detail in Appendix A.

REVENUE BUDGET MONITORING STATEMENT
FOR THE PERIOD : APRIL 2022 TO JULY 2022

	Updated Budget	Projected Outturn	Difference from Updated Budget	
	£000	£000	£000	%
Schools Budget – Schools and Early Years	0	-310	-310	
Schools Budget – High Needs	0	10,780	10,780	
Net Total	0	10,470	10,470	
Children & Family Services (Other)	93,241	95,351	2,110	2.3
Adults & Communities	183,334	187,794	4,460	2.4
Public Health	-1,446	-1,446	0	0.0
Environment & Transport	84,502	83,422	-1,080	-1.3
Chief Executives	13,409	13,169	-240	-1.8
Corporate Resources	35,745	37,375	1,630	4.6
Capital Financing	22,000	21,700	-300	-1.4
Contingency for Inflation	11,027	21,627	10,600	96.1
Other Areas	6,614	1,364	-5,250	-79.4
Contribution to budget equalisation earmarked fund	22,290	24,190	1,900	8.5
Contribution to General Fund	1,000	1,000	0	0.0
Total	471,716	485,546	13,830	2.9
Funding	-471,716	-471,906	-190	0.0
Net Total	0	13,640	13,640	

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

Children and Family Services – Schools Budget

27. Overall an overspend of £10.5m is forecast on the Dedicated Schools Grant (DSG).This is made up mainly of overspends of £10.7m on the High Needs Block and £1.3m on the Early Years Block, offset by an underspend on the Schools Block from schools growth (£1.7m) which will be retained for meeting the costs of commissioning school places in future years.

28. The High Needs Block is projected to overspend the grant received by a net £10.5m in 2022/23. This is £1.6m higher than the position forecast in the original MTFS 2022 – of which the majority is due to around 100 new Early Years specialist places identified as being required from September 2022.

29. Nationally, concern over the impact of Special Educational Needs and Disabilities (SEND) reform on High Needs expenditure, and the financial difficulties this exposes local authorities to, is growing. Whilst the recently released Green Paper is set to result in systemic changes to the national SEND system, such changes may take a number of years to deliver and none appear to address the funding issues.

30. Leicestershire has been invited into the Department of Education's (DfE) Delivering Better Value (DBV) in SEND programme as a result of the deficit. At the end of 2022/23 the accumulated High Needs deficit is forecast at £39m. Discussions are at the early stages to identify the support, more likely to be through the deployment of consultants rather than additional funding, and how that may assist addressing the deficit. Procurement of a Strategic Partner to support the delivery of the Transforming SEND in Leicestershire (TSIL) programme has been undertaken; this programme and the DBV programme will be closely aligned. Discussions have taken place with DfE regarding the strategic partner and funding. Whilst the cost cannot be charged to the DSG grant the investment is recognised as a key step in reducing the deficit and as such would be taken into consideration if there was a call on the County Council to contribute to the deficit reduction, as has been the case for authorities with even more serious deficits.

31. Without new interventions the high needs deficit is forecast to continue to increase over the MTFS period and is not financially sustainable. This creates a significant and unresolved financial risk to the Council.

32. The Early Years budget is showing an overspend of £1.3m. The budget is based on the number of hours used by the DfE to calculate the original 2022/23 Early Years grant income in December 2021. The 2022/23 Early Years grant income was increased in July 2022 by £1.4m to allow for the Spring Term 2022 census. The forecast hours paid to Providers for 2022-23 are £2.7m more than the budget, leading to a net £1.3m overspend. However the 2022/23 Early Years Grant income will be retrospectively adjusted in 2023/24 to allow for the hours paid in Spring 2023, and it is anticipated that this adjustment will clear the £1.3m deficit accounted for in 2022/23. The Early Years deficit of £4m as at March 2022 is separate to this. This was the result of problems with previous census data and additional payments to Providers during Covid-19. The Council's request for additional support from the DfE has been turned down, and

arrangements will be made to recover this deficit from 2023/24 by retaining some of the increase in grant funding due in that year.

Children and Family Services – Local Authority Budget (Other)

33. The Local Authority budget is projected to overspend by a net £2.1m (2%), mainly relating to a projected overspend on the Children's Social Care Placement budget (£1.1m), and social care staffing budgets (£1m).

34. Whilst overall Looked After Children (LAC) numbers for Leicestershire for 2022/23 appear to be in line with budgeted numbers, reflective of LAC increase of 5% and subsequent projection of 730 LAC at the end of financial year compared with 695 LAC at the beginning of the financial year, the placement mix is projected to be different compared with the budgeted position - driven largely by a significant increase in the last quarter of 2021/22 of complex needs placements for older children, with some requiring high levels of care and support resulting in higher than the average cost for some placement provision. For example, current projections within the 16plus placement budget include three 52-week placements in this financial year at a weekly cost of £6,000 plus – a 300% plus increase on the average cost of 16plus placements, and a significant contributing factor for the current projected overspend position.

35. Related to residential care budget pressures and current challenges is the sustained high demand for parent-baby assessment placements with the increased focus and legal requirement to keep babies with their parents whilst assessments take place. The Council is now mandated by the courts to meet this legal expectation. The higher rate of parent-baby placements has been sustained over the last six months. If this rate continues, this too will have an impact on the MTFS which will continue to be monitored.

36. As part of the actions being taken to mitigate against these financial pressures, the Defining Children and Family Services for the Future programme has several workstreams to enable MTFS benefits to be achieved, alongside the Social Care Investment Programme (SCIP) working in partnership with Barnardo's. This will have a positive impact through the creation of additional capacity for under 16's, over 16's and parent and children places, which should be in place during 2022/23. With increasing demands projected and a market shortage, further investments are planned, subject to the individual business cases and availability of suitable property and staff.

37. Social care staffing teams continue to remain under pressure with a net projected overspend of £1m above budget for the current year – largely due to market pressures resulting in increased agency spend. Nationally there is a shortage of qualified social worker staff and this has recently been acknowledged through further work indicating a 6% reduction nationally in applicants to undertake social work training. Further research is showing qualified social work staff do not remain in front line work on average for more than eight years. There is also a growing number of staff moving to agency work, or neighbouring local authorities, for inflated rates of pay. All of these factors and issues are very prevalent within Leicestershire., This is despite positive recruitment and retention activities, such as increasing the number of staff undertaking the apprenticeship Social Work course, and Leicestershire paying market premia payments to try to ensure

average pay is more in line with similar posts across the region. This has resulted in continued pressures and challenges for social care service budgets in Leicestershire, resulting in the current projected overspend position. The position is after an additional net growth of £2m added to the budget in 2022/23 for increased caseloads.

Adults and Communities

38. A net overspend of £4.5m (2.5%) is forecast for the revenue budget for 2022/23.

39. There is a continuing financial impact due to Covid-19 on adult social care which includes additional costs for commissioned services and loss of service user income. However, these seem to be now stabilising.

40. The main areas are:

- Residential Care, £2.1m income reduction. As a result of Covid-19 over the last two years the number of chargeable residential service users has declined and charging has been delayed due to funding placements through the discharge process. A review into the processes relating to residential income is taking place to accelerate recovery of income by restating charges.

- Residential Care, £3.0m overspend. The net overspend comprises two elements; firstly additional service users costs mainly due to a high number of short-term care placements following discharge from hospital and additional needs (£1.0m), service users not moving to supported living (£1.5m) partially offset by underspend on supported living and costs from service users transferring from children's services (£0.5m) which are more than originally budgeted for.

- Better Care Fund / Other NHS Income, £1.9m loss of income. A total of £6m income was budgeted for from the NHS for additional costs relating to Covid-19 mainly due to hospital discharges. However, current indications are that there will be a £2.8m shortfall in this income (funding for the first quarter of 2022/23 has been agreed and the same is expected to be agreed for the second quarter, to the end of September). Discussions are continuing with the NHS on how they may increase their support to adult social care and review discharge practices. The 2021/22 funded discharge process ended in March 2022. Reviews of service user packages from the discharge arrangements are ongoing, see actions below. The overall position is offset by additional BCF income of £0.8m.

- Homecare, £1.9 m overspend. Additional arrears payments from 2021/22 (£0.7m) and an increase in the number of service users and hours of care compared to the budget (£1.2m).

- Supported Living, £1.2m underspend. Due to a slowdown in new service users from residential care. This underspend partly offsets the overspend in residential care as a consequence of this delay.

- Community Life Choices (CLC)/ Commissioned Services, net underspend of £0.7m. Underspend from closure of CLC bases following lockdown and the vacancies that are being held.

- Community Income £1.2m additional income for contributions to support learning disability and from service users.

41. An action plan will continue to be in place during 22/23 which will focus on:

    - reviews of all service users' packages that have commenced or changed since April 2021.
    - working with NHS partners to help improve the discharge pathway including reviewing funding arrangements.
    - ensure financial and funding assessments are undertaken.
    - reviewing internal processes.

42. These costs are offset by a net £1.4m underspend from staffing and other minor variations.

Public Health

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

Environment and Transport

44. A net underspend of £1.1m (1.3%) is reported.

45. Transport is reporting a net £0.6m overspend. Overspends are forecast due to a delay in delivery of the SEN Transport Lean Review (£0.5m) and additional staffing and agency costs (£0.2m). Fewer operational routes for Social Care transport within Fleet Services due to driver and escort vacancies have resulted in an underspend (£0.3m), however this is offset by a forecast increase in Social Care taxi costs (£0.6m). Concessionary travel reimbursement costs are forecast to be lower than budget (£0.4m) following the decision to make payments based on actual service levels as per DfT guidance.

46. Across Highways an underspend of £0.7m is reported arising from vacancies across various teams and additional income from section 38 and 278 fees.

47. There is an underspend of £1.0m on Waste budgets, relating to continuing market price rises generating increased income for recycling, scrap metal and dry recyclable materials (£1.0m) and vacancies across the service (£0.2m). AutoCad license costs and non-delivery of digital payments saving has added a small pressure (£0.2m).

Chief Executive's

48. The department is reporting a net underspend of £0.2m (1.8%) including increased costs of the Coroners Service of £0.15m and underspends due to staffing vacancies across the

department (£0.1m) and increased Registrar's income (£0.25m). The departmental position includes forecast costs of £1.5m in respect of the establishment of the proposed Freeport. These costs will temporarily be funded from County Council reserves to be repaid from retained business rates generated once the Freeport goes live.

Corporate Resources

49. Overall the Department is forecasting a net overspend of £1.6m (4.7%).

50. Pressures in Commercial Services are on-going which includes recovery from the pandemic but also additional pressures through the increase in the national living wage and general inflationary pressures felt in services.

51. In the short term, measures are being taken to mitigate these inflationary impacts ((including a review of school food contracts including charging and choice) whilst a fundamental review is undertaken longer term.

52. Excluding traded services, all other support services are largely spending within budget.

Central Items

53. Bank and other interest - £5m increased investment income. This is mainly due to recent increases in the Bank of England base rate from 0.5% in February 2022 to a forecast average for the year of 2%. Together with continued high average bank balances, estimated to be around £350m for the year, an additional £5m in investment income from treasury management activities is forecast. This position could increase further if the base rate continues to increase during the year. The base rate currently stands at 1.75% with some advisors commenting that it may increase to 2.75% by the end of the financial year.

54. Contribution to the budget equalisation earmarked fund £1.9m. This has been increased by £1.9m to match the forecast increase in the DSG High Needs deficit mentioned earlier in the report. This is needed due to the cashflow impact of the additional expenditure. The overspend continues to be accounted for against the grant with the expectation that it will ultimately be repaid.

55. Inflation Contingency (£28.8m, unallocated balance £11m). The contingency is currently projected to be overspent by £10.6m. The majority of the overspend is related to the pay offer for 2022/23 of £1,925 on each scale point, equating to an average increase of 6.4%. The cost in excess of the provision in the inflation contingency (based on 3%) is around £7m. It is anticipated that Traded Services will be unable to absorb the full impact of the pay offer and that around £1.2m will need to be met from the central contingency. Running costs are forecast to be higher than anticipated, particularly on Environment and Transport services and also regarding electricity and gas contracts, where increases of around 100% and 200% respectively have been forecast to occur in the autumn.

56. For the first half of the financial year free school meals during school holidays have been funded using the Household Support Fund (HSF). It has been announced that the HSF

will continue until March 2023, but allocations have not been announced or conditions finalised. To create certainty of provision it is proposed that meal vouchers for October Half Term will be funded from the Budget Equalisation Reserve, with the expectation that it will be repaid when the HSF is paid.

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

Business Rates

58. Additional Business Rates income of £0.2m is forecast in 2022/23, based on the latest information from districts on their NNDR1 forms and forecast section 31 grants.

59. The provisional outturn position of the 2021/22 Leicester and Leicestershire Business Rates Pool shows a Levy total of £13.4m, with the final position expected to be reported in November, after the completion of the external audits. Monitoring of the 2022/23 Pool is being undertaken The first exercise for quarter one, to the end of June, shows a forecast Levy total of £15m.

Overall Revenue Summary

60. At this relatively early stage there is a forecast net overspend of £13.6m but this is uncertain due to not being able to fully assess the ongoing impact of inflation on the County Council budget. This position will be updated as more information is known during the financial year.

61. The 2022/23 outturn position is planned to be closed by the use of the MTFS Risks Contingency (£8m) and the balance being found from a combination of:
    - a review of reserves (including £3.1m set aside in the 2021/22 accounts towards inflation pressures);
    - introduction of spend controls; and
    - restriction on inflation allocations to areas that could reduce the level of service provision.

Corporate Asset Investment Fund – 2022/23 Monitoring

62. A summary of the Corporate Asset Investment Fund (CAIF) position as at quarter 1 for 2022/23 is set out below:

Asset Class	Opening Capital Value	Capital Incurred 2022/23	Net Income YTD	Forecast Net Income FY	Forecast Net Inc. Return FY
	£000	£000	£000	£000	%
Office	57,494	0	984	3,254	5.7%
Industrial	27,209	0	544	1,564	5.8%
Distribution	454	0	-2	17	3.8%
Rural	28,575	0	-234	452	1.6%
Other	4,885	0	42	254	5.2%
Development	36,477	44	-31	-99	-0.3%
Pooled Property	28,016	0	218	830	2.9%
Private Debt[1]	23,684	4,380	126	421	1.6%
TOTAL	**206,795**	**4,424**	**1,648**	**6,692**	**3.1%**

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

63. Overall the fund is forecasting to achieve a 3.1% net income return for 2022/23. The direct property portfolio (excluding developments, pooled property and private debt) has a forecast net income return of 4.7%

64. The directly managed property portfolio is forecasted to perform in line with expectations for 2022/23.

65. The rural sector is largely unaffected by Covid-19 and is currently expected to return around £450,000 net income. The diverse assets held in the other asset class offered from protection from Covid-19 last year. The Citroën Garage within this class is the largest holding and contributes the majority of the forecast net income.

66. Pooled property net income is expected to be similar to last year and is forecast to return around 3% from a diverse portfolio comprising of four institutional property manager funds. The private debt investment is invested in a product that is primarily composed of senior secured debt and is highly diversified. Income is forecast to be lower this year owing to repayments of underlying loans last year. Whilst new money has been committed to this asset class the income will likely be below levels until more loans are made and underlying interest payments become payable to the Council. The diversification of underlying loans does however offer considerable downside protection to the capital invested.

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

CAPITAL PROGRAMME

68. The current four year capital programme totals £563m, including outturn adjustments and new funding during 2022/23. Discretionary funding totals £299m, including £143m of internal borrowing through the temporary use of cash balances.

69. Due to specific and significant changes to a number of schemes, the four year capital programme has been reviewed and updated for the latest known position in respect of costs, spend profiles and changes in grant funding. However, it is likely that further pressures, relating to global and local supply chains, will emerge, especially as the MTFS is refreshed over the coming months and extended to cover the 2026/27 financial year.

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

Capital Programme Expenditure 2022-26	Original MTFS 2022-26 Programme £000	In year and Outturn adjustments (from 21/22) £000	Updated MTFS 2022-26 Programme £000	Revised MTFS 2022-26 Programme £000	Revised Programme Change £000
Children & Family Services	94,012	22,532	116,544	143,528	26,984
Adults and Communities	27,213	144	27,357	27,383	26
Environment & Transport	226,408	22,137	248,545	250,236	1,691
Chief Executive’s	650	1,003	1,653	1,453	-200
Corporate Resources	12,526	1,562	14,088	13,901	-187
Corporate Programme	153,748	1,256	155,004	155,704	700
Total	**514,557**	**48,634**	**563,191**	**592,205**	**29,014**

Capital Programme Resources 2022-26					
Grant Funding/ Specific Contributions	236,430	27,940	264,370	294,993	30,623
Discretionary Funding – capital receipts/ Revenue/ Reserves	135,280	20,694	155,974	163,631	7,657
Discretionary Funding – borrowing required	142,847	0	142,847	133,581	(9,266)
Total	**514,557**	**48,634**	**563,191**	**592,205**	**29,014**

71. Overall, the net funding required for the programme has decreased by £9.3m following the review of the capital programme. There has been an increase of £29m in forecast expenditure offset by additional capital grants, reserve contributions and capital receipts.

72. The revised position has the impact of reducing the overall amount of borrowing required to fund the capital programme by £9m to £134m, from the £143m approved in the original 2022-26 MTFS. At current borrowing rates this will have the effect of saving £0.5m per annum on the revenue budget.

73. As part of the capital review an estimate of the potential increases for inflation was also undertaken. In line with what is being seen everywhere else costs are increasing across the capital programme. The significant areas impacted are with the proposed new major road schemes in the E&T programme. In many other areas across the programme the increases are being managed within block / grant allocations.

74. The overall inflation estimates show a potential additional £45m would be needed to fund the programme. Unless action can be taken to reduce the costs, the £45m would require additional borrowing, which would cost in the range of £2.5m – £3m per annum. This would be an additional cost on the revenue budget with the need to make compensating savings elsewhere.

75. The key changes from the capital review are described below.

Children and Families

76. The programme has been increased overall by £27m due to updated estimates of government grant funding and developer contributions, which has enabled the net discretionary funding of the capital programme to be reduced by £3m.

77. Estimates for Department of Education capital grants have been updated for the latest known position; £16m additional for Basic Need, £9m for High Needs Provision and Children's Homes capital programme £1.5m. The original MTFS estimates were prudent due to the short notification of the grants. Other increase includes £3m for additional section 106 contributions.

78. Due to the additional grant funding estimates the overall amount of discretionary funding to the programme can be reduced, including a £2m reduction to the Children's social care investment plan (C-SCIP) programme.

Adults and Communities

79. No significant changes.

Environment and Transport

80. The updated programme includes an overall increased requirement of £1.7m, which is entirely funded from earmarked reserves.

81. The main changes are; updates for the replacement costs of the Leicester and Leicestershire Integrated Transport Model (LLITM) refresh £0.5m increase; the inclusion of a Highways Plant replacement programme £0.7m over four years; and revised costs of work for Ashby Canal Reed Bed, increase of £0.2m.

82. The capital review has highlighted that there are significant financial pressures within the E&T programme due to rising levels of inflation on major contract schemes estimated costs, including the Melton Mowbray Distributor Road (MMDR) North and East and Southern section projects and the Zouch bridge replacement project. A bid to the Government for Levelling Up grant funding for the Zouch bridge project has been submitted with an announcement expected as part of the Chancellor’s autumn statement later in the year.

83. Other changes to the E&T programme include the transfer of £0.5m from the recycling and household waste sites (RHWS) programme to preventative maintenance. This returns funding temporarily allocated to the RHWS programme during the pandemic.

Chief Executives

84. The programme has been reduced by £0.2m over the four years. Following an increase to the Leicestershire grants revenue budget as part of the original MTFS, it is now possible to reduce the capital allocation by £50,000 per annum. A further review will be undertaken to ascertain if the capital allocation can be closed or amalgamated with the revenue programme.

Corporate Resources

85. Overall the departmental programme has been reduced by £0.2m due to latest estimates of costs for the ways of working – office infrastructure programme.

86. The updates to the programme also include a transfer of the funding previously allocated to the Score+ programme to the County Council’s new public sector decarbonisation programme to continue Climate Change projects, £1.2m.

Corporate

87. The changes to the corporate programme show an increase in discretionary funding required of £0.7m. The position includes changes as shown below:

- Inclusion of a new proposed investment at Panniers Way, Oakham, £5.6m as part of the Corporate Asset Investment Fund (CAIF). The investment is subject to final approval expected in October.
- Reduction of £0.9m for the latest estimated costs of the CAIF investment in phases 3 and 4 development at Airfield Farm.
- Reduction of £4m to the Asset Acquisition allocation for new projects within the CAIF programme for the above changes, and the latest estimate of the funds required to reach a target investment fund at £260m.

Capital Receipts

88. The latest estimate of general capital receipts for the four year programme has been updated by £6.2m. The increase estimated contributes to the reduction in the overall discretionary funding of the programme.

Summary and Outlook

89. The recent review of the capital programme has led to an increase in expenditure of the four-year programme by £29m, but a net overall reduction in discretionary funding of £9.3m due to increased grants and additional capital receipts, totalling £38m. These changes reduce the level of borrowing required for the capital programme to £134m, saving around £0.5m on the annual revenue budget.

MTFS REFRESH 2023-2027

National Position

90. At the Monetary Policy Committee meeting in August, the Bank of England raised interest rates by 0.5% to 1.75%. The biggest single increase for 27 years. The move is an attempt to help stem the ever increasing levels of inflation being felt nationally (and globally), largely driven by significant increases in commodity prices (especially wholesale gas where prices have doubled since May) with expectations of continued restrictions in supply. Further increases are expected in the coming months with interest rates peaking at 3% in spring 2023.

91. CPI inflation is now expected to rise from 10.1% in July to in excess of 13% before the end of 2022. Furthermore, it is forecast that it will remain in excess of the 2% target right through 2023 before falling back in line. As income is not expected to increase at this rate these forecasts suggest an increasing squeeze on resources throughout 2022 and 2023. As inflation is expected to fall back to the Bank of England's target, rather than go negative, the consequence is that there will be a permanent reduction in the level of services the Council is able to deliver.

92. UK GDP growth is expected to continue to slow before contracting in each quarter between Autumn 2022 and Autumn 2023, moving the economy into recession.

93. Rising wages and continued low unemployment levels will to some extent boost tax revenues although the increase in interest rates will increase the costs of servicing the national debt. With the potential for tax cuts, dependent on the national political situation, to help address the impact on the cost of living, the prospect of additional funding for local government seems remote.

94. As reported in June, analysis by the Society of County Treasurers suggested that £1.5bn of additional costs would be incurred by County Council's this year nationally - £729m more than when budgets were set. This analysis was undertaken before the more recent and worsening inflation forecasts and significantly before the recent pay award offer

made by employers which will add 6-7% onto the pay bill – significantly in excess of what most authorities will have budgeted for. A number of authorities are already suggesting that balancing the books in the current financial year will be difficult enough, let alone being able to do so for the next financial year and beyond.

95. It is increasingly likely that the country will experience a significant recession, driven by inflation. A recession would normally reduce inflation, but the UK is forecast to move into stagflation where the economy is squeezed by slow growth, high unemployment, and rising prices. The fall in GDP will have a direct impact upon tax revenue, both locally and nationally. It will not just reduce income, but service demand increases as inflation impacts the most vulnerable.

96. At this stage it is unclear what changes will be introduced by a new Prime Minister. It is likely that an emergency budget will be announced later in September.

Leicestershire Position

97. The MTFS will be refreshed over the autumn, with a similar approach taken to that followed in previous years, namely continued investment in organisational change, planning and robust delivery of savings and a realistic allowance for growth. However, as mentioned this will be done with much greater urgency in the context of the serious financial position the County Council is facing, with a significant funding gap faced in 2023/24 (usually at this stage the following year's financial position would be balanced). There is also a great deal of uncertainty around the likely ongoing impact of inflation, the impact of other service reforms (in particular Adult Social Care) as well as the Council's core income levels.

98. The financial position outlined in the June report showed a gap of £28m in 2023/24 rising to £71m in 2025/26 after estimating the impacts of inflation on the revenue position.

£m	**22/23**	**23/24**	**24/25**	**25/26**
Current MTFS Gap	0	8	24	40
June estimate of inflation	3	20	27	31
June Gap	**3**	**28**	**51**	**71**

99. The Cabinet report in June highlighted that there is a significant amount of uncertainty around the financial position in the short and medium term. Also, that as well as the impact of inflation there are a number of other risks and challenges that will feed into the financial position.

Pay award

100. An offer has been made on the national employers' side of a pay award which is a fixed increase of £1,925 for all grades. At this stage it is unclear whether this will be accepted. Such an increase would mean a 10.5% increase for staff on the lowest grades but overall, the impact on the pay bill is a 6.4% increase. This will add an additional cost of

£8m for 2022/23 over and above what was budgeted for which will continue through the life of the MTFS. Any increases in subsequent years over and above the 3% provided for will add further to the gap. In simple terms, each extra 1% would add about £1.8m to the Council's bottom line. So for example if each year in the MTFS saw a pay award of 5%, the gap by 26/27 would be £16m higher.

National Living Wage

101. The National Living Wage (NLW) impact interacts with the impact of the pay award for internal staff. But there are additional costs associated with commissioned services, especially in Adult Social Care. Each 50p increase on the rate adds approximately £10m to the Council's bottom line. Depending on the level the NLW is set at could add a further £8m to £21m to the 26/27 gap. An announcement is usually made alongside the Autumn Budget.

Running costs

102. Based on inflation of 11% for next year, 5% the year after and falling back to 3% after that (compared to an assumption of 3% built in at the time the MTFS was set) , an additional £12m of running costs were anticipated next year rising to £18m per annum over the life of the MTFS. Numbers being projected now are significantly in excess of this amount and clearly subject to significant uncertainty both in terms of how high they go (for example the Bank of England latest projection is for inflation peaking at 13% whereas the Citi group are forecasting 18%) and how quickly and to what level they will reduce back down, but a worst case scenario could see double the estimated £18m impact over the MTFS period. This position assumes that increases in contracts during the current financial year will have a delayed impact on the budget because of the timing of contract renewals.

Adult Social Care Reform

103. A separate report on the agenda for this meeting provides the details of the proposed reforms and the potential financial impact for the County Council which is currently highly uncertain given that some of the details of the proposals and the parameters that will be applied around levels of funding, potential charging and expected additional costs are still unclear. However, current estimates suggest an ongoing impact of between £15m and £20m per year net increase in costs by the end of the MTFS period. Shortfalls of this magnitude have been reported by other County Councils.

Special Education Needs and Disabilities

104. The underfunding of Special Education Needs and Disabilities (SEND) has caused a significant financial problem for the County Council for a number of years. At the time the budget was set, the cumulative deficit between SEND costs and High Needs funding was expected to reach £37m by the end of the current financial year and grow to £63m by the end of the MTFS. Predictions going forwards are uncertain but continued growth in both numbers and average costs could see the gap grow to over £100m by 2025/26. There seems little prospect of support from Government to help alleviate this position. The DfE

seems to be hardening its position with on-going overspends seen as local government's problem. Opportunities are being explored with the new Strategic Partner around mitigations to offset the financial impact.

NHS Income

105. The MTFS assumes that £6m of income from the hospital discharge process will be received each year from the NHS bodies. As shown in the budget monitoring for Adults and Communities above, it is anticipated that only £3.2m will be received in the current year and could fall away completely in later years.

106. To help mitigate this, one specific area that is being pursued is the extent to which Adults' and Children's social care costs are being met from local NHS organisations. This relates to individuals receiving Continuing Health Care and Funded Nursing care, but also in relation to where individuals are discharged from hospital into a social care setting.

107. Analysis has been undertaken which shows that in Leicestershire, the extent to which these types of care are funded by the NHS is typically half that of what it is in comparator areas.

108. The County Council will be working with NHS colleagues going forwards to assess the extent to which additional levels of NHS income can contribute to reducing the gap in County Council's financial position going forwards.

Services Demand

109. The existing pressures within the MTFS are continuing, this could require increases in growth and adverse in year budget variations for Adult's and Children's social care services. When the MTFS is refreshed and extended for a year, 2026/27 in this case, the new year adds between £15m and £20m to the financial deficit. With higher inflation in the intervening 4-years it is likely that the deficit increase will be closer to £30m.

Mitigations

110. There are also a number of factors that could potentially help mitigate the financial risks

Adult Social Care Precept	Precept permitted to continue – 1% precept would generate £3.6m for each year permitted. The precept was included for the next 2-years in the last spending review, but has not been confirmed by the Secretary of State.
Main element (core) Council Tax	Permitted increase without referendum is increased from 1.99%. Higher inflation would usually create expectations of a higher cap, but the severity of the cost of living crisis could result in Government maintaining a low cap.
Council Tax Collection funds net surplus	23/24 currently includes £1m deficit deferred from 20/21 (due to deficits caused by Covid). Latest forecasts show that a net surplus of £2m from 22/23 will offset that deficit.

Business rate reset	Provision of £6m built in against the Government resetting the business rates baselines in 23/24, in line with policy. Every year this gets delayed provides an additional £6m one off funding.
Fair Funding Review	The review implementation date has been postponed several times and April 2023 seems unlikely. The shift in Government priorities have lowered the County Council's expectations even if a review does progress. The County Council formed the F20 group that promoted a temporary solution for the worst funded councils, expectations of progress are similarly low.
Additional interest on cash balances	Upward movement on interest rates leads to greater returns on treasury management activity
New Homes Bonus Grant	Possibility that the Government might extend NHB grants.
Services Grant	One-off grant in 22/23 of £4.3m. The national pot of £822m may be redistributed in later years on the same or a different basis, possibly as a result of the Fair Funding Review

111. The implications of the various issues described above will be assessed based on the latest emerging information over the coming months and fed into the December Cabinet report. However, in short the financial position is dire and an initial estimate of the challenge is set out in the table below. Whilst these numbers will undoubtedly change the scale of the challenge is highly unlikely to diminish to the point that the County Council would not need to take significant corrective action.

£ millions	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Current MTFS Gap	8	24	40	40
Estimated Increase	21	54	65	95
Potential Gap	29	78	105	135

112. Facing a gap of £29m, which assumes currently programmed savings of £13m will be delivered, so close to the budget being set is unprecedented and extremely concerning. Even this challenge pales into insignificance compared to the £135m gap in 4-years time (£170m if planned savings are included).

113. To balance the budget the use of reserves or other short-term measures will undoubtedly be adopted by some authorities. Whilst this can deal with short term problems of a one-off nature it does not solve the structural imbalance between income and expenditure that inflation is causing. It is vital that all resources are targeted at solving the problem rather than just delaying tackling it.

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

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

116. However, this will be nowhere near enough to address the financial challenges ahead.

117. In order to identify further areas where savings can be made Departments are being asked to present options for how they could reduce their budgets. Focussing on options around cheaper provision, increased efficiency, increased income and reduced demand.

118. Additional savings and reductions in growth will be brought forward for inclusion in the December Cabinet report. Growth will be subjected to significant scrutiny to ensure future projections are robust. Additional growth will only be included for unavoidable demand driven pressures. Growth for service improvements is clearly unaffordable and so will not be included.

119. With respect to capital schemes and projects, there is no room for additional schemes to be added unless they are invest to save, related to end of life of assets needed for essential service delivery or fully funded from external sources. If a two-year moratorium on new schemes is achieved this will save an estimated £2m on revenue costs.

120. The capital funding gap, which is now £134m, but with the additional inflation pressures of £45m if action cannot be taken. With interest rates now increasing significantly this adds approximately £2.5m per annum to annual revenue costs and hence the funding gap needs to be reduced.

121. Core service capital schemes (such as Highways Maintenance and Schools) will be restricted to the annual capital grant allocations and banked developer funding only. And services such as ICT and Property will need to be focussed on maintaining service delivery rather than enhancing it. In some cases where it is possible, there will be a need to mothball schemes until they can be delivered after inflationary or acute current cost pressures subside.

122. Whilst there will be a strong focus on identifying and driving out further efficiencies, the reality is that after £230m worth of savings having been made over the last 12 year period there is limited scope. As such this work will also need to involve looking at service reductions across all service areas. Any non-statutory services, or those where service levels are above statutory minimum levels, will need to be considered for reduction or for being stopped following appropriate consultation being undertaken. The nature of services being considered includes:

123. An initial list of areas to investigate for potential service changes or reductions has been developed; these include:

- Preventative Services
  Increase the level of analysis and certainty required to justify a preventative service and increase the focus on benefiting/supporting other County Council services, rather than other organisations or wider public good. This will reduce expenditure directly or through lower demand for County Council services. Examples include:
  - Trading Standards activity - reduce activity or increase charge to businesses
  - Public Health support, e.g. healthy lifestyles – reduce and/or refocus activity

- Access Points
  Whilst maintaining statutory requirements, reduce the number of locations where the public can access services and make greater use of cheaper digital channels for the public and partners. Examples include:
  - Further closure of Children's Centres
  - Libraries, fewer run directly and no further financial support for community libraries
  - Reduce heritage services
  - Digital channels mandated or better service levels than phone or face to face
  - Fewer waste sites /revised opening hours
  - Fewer Registry offices/revised opening hours

- Eligibility/Choice
  Whilst maintaining the focus on safety and statutory entitlements restrict the level of service offered. Examples include:
  - Support packages for SEND and Social Care - Ensure services delivered meet the required levels of assessed need/eligibility. This would impact service such as specialist education provision, day centres and respite care.
  - Reduce highways and transport maintenance activities
  - Stop cosmetic grass cutting
  - Further reductions in street lighting
  - Review the number of roads eligible for gritting
  - Review the criteria for funding school crossing patrols

- Subsidies
  When permitted by any contractual/grant arrangements reduce or remove subsidies so that either the level of provision is reduced, or the public/partners are required to pay more. Examples include:
  - Reduce support to subsidised passenger transport services and operations leaving a greater reliance on the commercial market.
  - Review/cease grants distributed by the County Council, e.g. Shire Grants

- Trading and Income Raising
  Review services currently run as traded but which are becoming increasingly unviable in the short term with little prospect of this changing. Examples include:
  - Beaumanor Hall – investigate alternative options, including sale
  - Castle House – terminate MoJ contract and sell
  - Planning Services – reviewing charges for planning advice
  - Review and/or introduce charging for parking

- Capital Investment
  When permitted by any contractual/grant arrangements stop or delay schemes to reduce capital expenditure. This will benefit the revenue position through lower borrowing and reduce immediate pressure as more flexibility. Schemes will need to have a full exit strategy to ensure that the consequences of cessation are understood such as return of grants/S106, re-work if scheme restarted, eligibility for future funding, loss of benefit e.g. reduce congestion. Examples include:
  - Social Care Investment – ensure still viable as spend to save
  - Records Office/collections hub – potential delay and increase focus on savings
  - Melton Mowbray distributor road NE and S – develop options for stopping, scaling back or securing more funding
  - No new infrastructure investment until funding received
  - Limit new capital schemes to end of life, safety or spend to save

- Council Tax
  If significant savings through cuts and efficiencies cannot be found or the situation continues to worsen a referendum would be required for higher Council Tax increases, (in recent years required for increases above 2%, excluding Adult Social Care precept). By way of illustration if no new savings were identified a referendum would need to ask for increases of 10% for 5 years, with no certainty over the outcome. For example, Bedfordshire PCC lost a referendum in 2015/16 (31%) after proposing a 16% increase and Surrey County Council withdrew a proposed 15% increase in 2017/18.

124. In addition to the usual MTFS planning process, the continuing difficult financial position in the current year will require the Council to put in place measures to control levels of expenditure, similar to those introduced during the Covid-19 pandemic. This will not replace the financial responsibilities that officers have in their roles. For the spend controls to be successful, continued ownership by everyone who has a part in spending or generating income is vital.

125. The control measures would be adapted to reflect the severity of the financial position and would be expected to cover:

- Targeted recruitment controls to restrict non-essential hiring including a focus on agency, consultants and specialist advisors
- Procurement controls to ensure greater commissioning support unit input into contract renewal/extension, use of frameworks and exceptions
- Greater scrutiny of external expenditure
- Limited approval of new projects to essential schemes only
- Controls on grants to ensure that wherever possible they are used to cover existing spend pressures rather than for new service initiatives.
- Restriction of budget inflationary increases where service levels can be amended

126. Controls are likely to be required until:

- The MTFS gap is at an acceptable level
  - First two years balanced

  - Final two years at a manageable level
- Good certainty of savings delivery, especially for the next two years
- Local government outlook becomes clearer.

127. It should be noted that the implementation of spend controls does not mean service cuts, although it should influence how services are delivered. Future savings will not be prioritised based on where spend was reduced through the controls and managers will need to consider the potential to make permanent changes to their services.

128. If progress towards resolving the medium-term financial gap is limited, and there is not enough confidence in delivering existing and newly identified savings and managing demand growth in the coming months, further spend controls, with greater levels of scrutiny on individual budgetary decisions, will need to be put in place.

Public Engagement

129. Given the severe nature of the Council's financial position in order to help shape the difficult decisions that will need to be taken with respect to service changes and reductions, additional stakeholder engagement is planned to be undertaken during the autumn and winter. The intention is that this will involve a broad programme of activity including online polling, targeted stakeholder webinars or Facebook live events and engagement with the Council's 4,000+officers.

130. The objectives of the activity will be:
    - To increase the understanding of the Council's financial situation amongst participants
    - To test participants' response to specific proposed changes to Council services
    - To understand the potential impact of specific service changes on residents
    - To test how best to encourage a positive collaborative attitude to the changes ahead
    - To understand where the community might be able to do more, and what the Council could do to encourage and facilitate this

Planning Framework

131. The key Government announcements in the coming months will be;

    - The Autumn Budget Statement anticipated in November.
    - The Provisional Local Government Finance Settlement expected mid/late December.

132. The broad MTFS timetable is:

    - September to November 2022 – refresh growth, savings and capital including consideration by Lead Members.
    - September to November 2022 – public engagement
    - Autumn - National Budget and National Living Wage announcements
    - December 2022 – the Cabinet will be asked to approve the draft MTFS for consultation.

- December 2022 – receipt of the Provisional Local Government Finance Settlement
- January 2023 – consultation on the draft MTFS, including Overview and Scrutiny Committees and the Scrutiny Commission.
- February 2023 – the Cabinet will be asked to approve the final draft MTFS for submission to the County Council.
- February 2023 – County Council is requested to approve the MTFS for 2023/24 to 2026/27.

Legal Implications and Consultation

General

133. The Council is required to set a balanced budget each year following the processes set out in the Local Government Finance Act 1992. The Director of Corporate Resources as the Council's section 151 Officer has a number of duties relating the Council's financial administration and resilience including to report on the robustness of the Council's budget estimates and the adequacy of its reserves[1]. There is a further duty to issue a formal report if the s151 Officer believes that the Council is unable to set or maintain a balanced budget[2].

134. The Council is further charged with a duty to secure best value[3] by making '*arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness"*. This duty is supplemented by statutory guidance to which the Council must have regard.

Constitution

135. The Council's Budget and Policy Framework Procedure Rules are contained within Part 4 C of the Constitution and the decision with regard to the setting of the Council's budget is a function which is the responsibility of the full Council and once the budget is in place it is a matter for the Cabinet to implement it. Any significant change to the budget once set is reserved to the Council unless the decision required is a matter of urgency under rule 6 of the rules. None of the recommendations in the report amount to a change to the budget set by Council in February 2022. All of the other recommendations may be regarded as preparatory to the budget setting and approval of the MTFS for 2023 onwards.

Council Decision Making

136. The Council's decisions may be scrutinised and challenged by Judicial Review and this means that it is important to be clear on the various stages the Council will follow before a final decision is made. To minimise the risk of legal challenge two issues are of particular importance. Firstly that there is adequate and proper lawful consultation before any decision is made which may result in a change of provision or service or the

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[1] S25 Local Government Act 2003
[2] S114 Local Government Finance Act 1988
[3] S3 Local Government Act 1999

cessation of a service. It is therefore important to note that none of the recommendations or matters mentioned in this report will result in such a change or cessation. They are at this stage part of the important preliminary and preparatory work to inform officers so that they may develop and present recommendations to Cabinet and then to Council as part of the budget setting process for the MTFS 2023-27. The approach as outlined in this report will assist in formulating these recommendations which will then, if approved, be subject to consultation with relevant stakeholders in accordance with the Council's approved consultation and engagement principles before any decisions are made.

137. Secondly is the requirement for compliance with the Council's Public Sector Equality Duty and the implications of this are covered below. This is an ongoing duty usually undertaken through the completion of an impact assessment which will then be considered as part of the preparatory work to be undertaken as recommended in this report. This assessment will be kept under review as proposals arising from the recommendations in this report are developed including any mitigations that may be required in due course.

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

138. 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.

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

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

<u>Crime and Disorder Implications</u>

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

<u>Environmental Implications</u>

142. The MTFS includes schemes to support the Council's response to climate change and to make environmental improvements. There is the potential for aspects of the MTFS and the challenges set out in this paper to impact on the County Council's response to climate change and environment improvements. An assessment of the impact of proposals will be undertaken prior to any final decisions being made.

Partnership Working and Associated Issues

143. As part of the efficiency programme and changes 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

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

Background Papers

Report to the Cabinet – 24 June 2022 – Medium Term Financial Strategy Update
https://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6775&Ver=4

Report to the Cabinet – 27 May 2022– 2021/22 Provisional Revenue and Capital Outturn
https://politics.leics.gov.uk/documents/s169173/Provisional%20Outturn%20Report%20-%20FINAL.pdf

Report to County Council -23 February 2022 – Medium Term Financial Strategy 2022/23 to 2025/26 https://politics.leics.gov.uk/documents/s166677/MTFS%202022-26%20Report%20to%20Cabinet%2011-02-2022.pdf

Appendices

Appendix A: Revenue Position as at Period 4, 2022/23
Appendix B: Revenue budget major variances
Appendix C: Revised Capital Programme 2022-26
Appendix D: Savings Under Development

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APPENDIX A

REVENUE BUDGET MONITORING STATEMENT 2022/23
(AS AT PERIOD 4)

	Updated Budget	Projected Outturn	Difference from Updated Budget		
	£000	£000	£000	%	
Schools Budget					
Schools	88,539	86,879	-1,660	-1.9	
Early Years	36,143	37,493	1,350	3.7	
DSG Funding	-124,682	-124,682	0	0.0	
	0	-310	-310		
Earmarked fund - start of year			*-4,574*		
Earmarked fund - end of year			*-4,884*		
High Needs	93,662	104,442	10,780	11.5	
Dedicated Schools Grant (DSG)	-93,662	-93,662	0	0.0	
	0	10,780	10,780		
Earmarked fund - start of year			*28,850*		
Earmarked fund - end of year			*39,630*		
LA Budget					
Children & Family Services (Other)	93,241	95,351	2,110	2.3	RED
Adults & Communities	183,334	187,794	4,460	2.4	RED
Public Health *	-1,446	-1,446	0	n/a	GREEN
Environment & Transport	84,502	83,422	-1,080	-1.3	GREEN
Chief Executives	13,409	13,169	-240	-1.8	GREEN
Corporate Resources	35,745	37,375	1,630	4.6	RED
DSG (Central Dept. recharges)	-2,285	-2,285	0	0.0	GREEN
MTFS risks contingency	8,000	8,000	0	0.0	GREEN
Contingency for Inflation	11,027	21,627	10,600	96.1	RED
Total Services	425,527	443,007	17,480	4.1	
Central Items					
Financing of Capital	19,500	19,200	-300	-1.5	GREEN
Revenue funding of capital	2,500	2,500	0	0.0	GREEN
Bank & other interest	-1,400	-6,400	-5,000	357.1	GREEN
Central Expenditure	2,299	2,049	-250	-10.9	GREEN
Total Central Items	22,899	17,349	-5,550	-24.2	
Contribution to budget equalisation earmarked fund	22,290	24,190	1,900	8.5	RED
Contribution to General Fund	1,000	1,000	0	0.0	GREEN
Total Spending	**471,716**	**485,546**	**13,830**	**2.9**	
Funding					
Revenue Support Grant (new burdens)	-10	-10	0	0.0	GREEN
Business Rates - Top Up	-40,346	-40,346	0	0.0	GREEN
Business Rates Baseline / retained	-25,528	-24,278	1,250	-4.9	RED
S31 Grants - Business Rates	-8,590	-10,030	-1,440	16.8	GREEN
Council Tax Precept	-351,626	-351,626	0	0.0	GREEN
Council Tax Collection Funds - net suplus	-3,569	-3,569	0	0.0	GREEN
New Homes Bonus Grant	-2,096	-2,096	0	0.0	GREEN
Improved Better Care Fund Grant etc.	-14,190	-14,190	0	0.0	GREEN
Social Care Grant	-19,866	-19,866	0	0.0	GREEN
Market Sustainability & Fair Cost of Care Fund	-1,630	-1,630	0	0.0	GREEN
Services Grant (2022/23 only)	-4,265	-4,265	0	0.0	GREEN
Total Funding	**-471,716**	**-471,906**	**-190**	**0.0**	
Net Total	**0**	**13,640**	**13,640**		

* Public Health funded by Grant (£26.2m)

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

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APPENDIX B

Revenue Budget 2022/23 – forecast main variances

Children and Family Services

Dedicated Schools Grant

A net overspend of £10.5m is forecast. The main variances are:

	£000	% of Budget
DSG High Needs Block (HNB) earmarked fund drawdown	**8,880**	**n/a**
The DSG budget in the original MTFS includes an estimated HNB drawdown of £8.9m as the forecast in year overspend.		
Special Educational Needs	**1,635**	**2%**
The SEND Capital Programme is developing new resource bases with the aim of reducing the reliance on expensive independent sector places. The increase in demand, however, has resulted in these places being filled with new demand as opposed to having the desired impact on existing numbers. Additionally, approximately 100 extra Early Years specialist places have been identified as required from September 2022.		
Specialist Services to Vulnerable Groups	**200**	**8%**
The STS Service is a fully HNB funded service, with a fixed budget envelope, and does not receive inflation in response to pay awards. It also has a built-in annual savings target which is usually achieved through in-year vacancy savings. As yet, these potential savings are yet to be identified.		
Special Educational Needs	**1,350**	**4%**
The budget is based on the number of hours used to calculate the original 2022-23 Early Years DSG income in December 2021. The 2022-23 Early Years DSG income was increased in July 2022 by £1.4m to allow for the Spring Term 2022 census. The forecast hours paid to Providers for 2022-23 are £2.7m more than the budget, leading to a net £1.3m overspend. However the 2022-23 Early Years Grant income will be retrospectively adjusted in 2023-24 to allow for the hours paid in Spring 2023, and it is anticipated that this adjustment will clear the £1.3m deficit accounted for in 2022-23.		
Schools Growth / Budget Allocations	**-1,660**	**-54%**
This funding has been earmarked to help meet the revenue costs associated with new schools and also for meeting the costs of some funding protection for schools with falling rolls as a result of age range change in other schools. The underspend will be transferred to the DSG earmarked fund to fund pupil growth in future years.		
Other variances	**65**	**n/a**
TOTAL	**10,470**	**n/a**

Local Authority Budget

The Local authority budget is forecast to overspend by £2.1m (2.3%). The main variances are:

	£000	% of Budget
Children's Social Care Placements	**1,090**	**3%**
Whilst overall looked after children (LAC) numbers for Leicestershire for 2022/23 appear to be in line with budgeted numbers, the placement mix is projected to be different - driven largely by a significant increase in Quarter 4 of 2021/22 of complex needs placements for older children, with some requiring high levels of care/support and resulting in high cost residential/16 plus provision, and subsequently driving projected placement numbers within such provision types to be higher than budgeted for by the end of the financial year. The full year impact of this peak in the last quarter of 2021/22 has resulted in a projected overspend this financial year. Recent demands will be closely monitored over the coming months.		

Children's Social Care Staffing	**1,020**	**4%**
The majority of this overspend is due to staffing pressures. Nationally there is a shortage of qualified social worker staff, and has recently been acknowledged through further work indicating a 6% reduction nationally in applicants to undertake social work training. Further research is showing qualified social work staff do not remain in front line work on average for more than 8 years. There is also a growing number of staff moving to agency work for inflated rates of pay. All of these factors and issues are very prevalent within Leicestershire too. Despite positive recruitment and retention activities, such as increasing the number of staff undertaking the Apprenticeship SW course, and Leicestershire making market premia payments to try to ensure average pay is more in line for similar posts across the region, the challenging market which still continues to see supply of social workers being limited and agencies and some nearby LA's continuing to pay more, have resulted in continued pressures and challenges for social care service budgets in Leicestershire, and subsequently contributing to the projected overspend.		
TOTAL	**2,110**	**n/a**

<u>Adults & Communities</u>

The Department has a net forecast overspend of £4.5m (2.4%). The main variances are:

	£000	% of Budget
Residential Care and Nursing	**5,160**	**7%**
The net overspend of £5.16m is made up from four elements. Firstly; from additional service users costs mainly due to high numbers of short term care placements following discharge from hospital and additional needs (£1.0m); service users not moving to supported living (£1.5m) which is partially offset by an underspend on Supported Living; transitions costs from children's services (£0.5m) not budgeted for; and loss of Income, mainly due to service user allowances increasing for the first year in several years reducing the amount of chargeable income from each person, and recovery of charging post Covid-19 (£2.1m). A review into the processes relating to residential income is taken place. There are an average of 2,404 service users with an average gross care package cost of £898 per week.		
Better Care Fund (Balance) / Other NHS Income	**1,920**	**7%**
An expected £6m income was budgeted for from the NHS for additional costs relating to Covid-19. However, current indications are that there will be a £2.8m shortfall in this income. Discussions are continuing with the NHS on how they may increase their support and review practices. This shortfall is offset by £0.9m additional BCF income.		
Homecare	**1,880**	**6%**
The overspend of £1.9m at this stage is mainly due to the level of payments from 2021/22 of £0.7m which were not reserved for in 2021/22 accounts and the remainder to a significant increase in service users (SU) and average hours (£1.2m). The forecast is based on an average of 2,270 SU at a weekly cost per SU of £283. The average weekly cost for 2021/22 was around £260 and the average number of SU was in the region of 2,250.		
Community Life Choices (CLC) Commissioned Services	**730**	**12%**
Overspend from moving Learning Disability Working Adults from inhouse services to independent sector. This is offset by an inhouse underspend of £1.4m. Currently there is an average 600 service users totalling £133k per week.		
Community Life Choices (CLC) / Day Services Team	**-1,380**	**-56%**
Underspend from closure of CLC bases following lockdown and the vacancies that are being held.		
Supported Living Commissioned Services	**-1,260**	**-5%**
Supported Living is forecasting an underspend due to a slow down in the new service users coming from residential care. This underspend offsets some of the overspend in Residential Care as a consequence of this delay. Currently there is an average of 400 service users totalling £540k per week.		
Community Income	**-1,245**	**-5%**
Additional income for service users with learning disabilities from health (£1.1m) and income from service users for their personal care (£0.2m).		
Direct Payments	**-400**	**-1%**
An increase in the forecast clawback of unused funds of £400k above the £3.1m budget.		
Care Pathway - Learning Disability and Autism	**-345**	**-9**
Underspend from vacancies that are in the process of being recruited to.		

Care Pathway - Cognitive and Physical Disability	**-190**	**-3%**
Underspend from vacancies that are in the process of being recruited to.		
Care Pathway - Mental Health and Safeguarding	**-160**	**-2%**
Underspend from vacancies that are in the process of being recruited to.		
Care Pathway - Integration, Access and Prevention - Managers	**-125**	**NA**
Additional income from Better Care Fund to support posts.		
Care Pathway - Operational Commissioning - Managers	**-120**	**NA**
Underspend from vacancies that are being held.		
Other variances (under £100k)	**-5**	**n/a**
TOTAL	**4,460**	**n/a**

Public Health

The Department has a projected balanced position. A minor net underspend will be transferred to the Public Health earmarked reserve.

Environment and Transport

The Department is forecasting a net underspend of £1.0m (1.3%). The main variances are:

	£000	**% of Budget**
Social Care Transport - External	**600**	**27%**
Overspend forecast arising from an increase in taxis being commissioned for Adult Social Care. This increase is due to the reduction in the number of ASC Fleet routes being operated due to unavailability of drivers and a greater demand for solo transport as a result of the Covid pandemic. The overspend on ASC taxis is matched by a corresponding underspend on Passenger Fleet transport (see below).		
SEN - External	**500**	**4%**
Forecast overspend arising from partial non-achievement of MTFS saving in 2022/23. This is due to a delay implementing the 'should cost' method of procurement for SEN taxi transport due to staffing pressures. A mid-year review of taxi contract prices is anticipated. This is estimated to achieve £210k of the £710k saving that was originally planned for 2022/23.		
Treatment & Contracts	**400**	**5%**
Forecast overspend is a result of more tonnages being sent to energy for waste sites and as a result there is an underspend on Haulage & Waste Transfer.		
Reactive Maintenance	**240**	**12%**
Overspend due the increasing need to respond to issues on the highways, increased demand on road markings and maintenance gangs.		
Staffing & Admin - Highways and Transport Operations Resourcing	**235**	**6%**
Overspend of £316k forecast due to increased staffing, agency and consultancy costs within Transport (Contracts and Compliance) to meet current staffing shortfalls and to conduct a review of the service. This overspend is offset slightly by vacancies within Highway Control.		
Recycling & Household Waste	**185**	**5%**
Increased volume and value of repairs at Recycling Household Waste Sites are causing the forecasted overspend.		
Road Safety	**180**	**36%**
Overspend due to depletion of the balance of contributions, held in an earmarked reserve, from Leicester, Leicestershire, Rutland Road Safety partnership, that were used towards school crossing patrols. Due to the pandemic no surpluses have been contributed from the partnership over the past few years. The department is looking at options to reduce crossing patrol provision if funding cannot be recovered externally. Also includes increased maintenance works on Public Rights of Way as a result of issues relating to bridges and byways.		
Departmental Costs	**150**	**34%**
Overspend forecast in relation to increased costs to IT AutoCAD Licenses and £50k for MTFS saving not being met in relation to Business Management Digital Payments.		

Dry Recycling	**-1,110**	**-50%**
Forecast underspend due to income from recyclable materials being significantly higher than budgeted. This is due to favourable prices for recyclables.		
Highways & Transport - Network Staffing & Admin	**-500**	**-50%**
Underspend due to £384k additional income from section 38 and 278 fees and vacancies across various teams.		
Concessionary Travel	**-360**	**-7%**
Overall underspend of £360k forecast at period 4. £420k of this is due to a policy decision to make concessionary travel reimbursements at lower than pre-Covid levels in 2022/23, as per guidance from the Department for Transport. The forecast underspend has been reduced by £57k to take account of some outstanding payments relating to 2021/22 that need to be made in 2022/23.		
Passenger Fleet	**-345**	**-172%**
Forecast underspend due to vacant driver and escort posts, which is partly offset by additional agency and overtime costs. Recruitment of drivers is currently very difficult. Fewer Adult Social Care fleet routes are being operated as a result of the driver shortage and lower demand for shared ASC fleet transport. This has resulted in an underspend for Passenger Fleet but a corresponding overspend on Social Care Taxis (see above).		
Haulage & Waste Transfer	**-295**	**-13%**
Underspend is due to more tonnages being sent to different sites (offsets the overspend on Treatment & Contracts).		
Highways & Transport - Staffing & Admin	**-285**	**-14%**
Additional income in the form of recharges to capital as a result of slippage from 2021/22 on capital projects.		
Development & Growth	**-220**	**-20%**
Underspend due to staffing vacancies and inability to recruit to posts.		
Staffing and Admin	**-190**	**-14%**
Underspend due to staffing vacancies.		
Staffing & Admin - Highways and Transport Operations Services	**-105**	**5%**
Underspend due to high level of vacancies within the service occurring from the difficulty to recruit, slightly offset by £140k savings not met within the current MTFS year in relation to 'Highways Increased Sponsorship' and 'Highways Recharges'.		
Composting Contracts	**-100**	**-6%**
Lower tonnages due to dry weather affecting green waste volumes.		
WEEE Funding	**-100**	**312%**
Underspend forecast due to higher scrap value than budget.		
Other variances	**40**	**n/a**
TOTAL	**-1,080**	**n/a**

<u>Chief Executive's</u>

The Department is forecasting a net underspend of £0.2m (1.8%). The main variances are:

	£000	**% of Budget**
Coroner's Service	**150**	**13%**
The variance is caused by a significant increase in the charges from UHL for Post Mortems and other costs.		
Freeport	**0**	**n/a**
The Freeport costs will initially be funded from LCC reserves (cash flowed) but will be offset by retained business rates generated once Freeport goes live. Cash flowing is at risk if designation doesn't actually happen but currently this risk looks low. Forecast expenditure of £1.498m in 2022/23, to be funded from corporate earmarked reserves. (This is In addition to a net £716k funded by the Council in 2021/22).		

Registrars	**-245**	**368%**
Income is expected to be higher than originally budgeted for due to an increase in business following covid restrictions. Casual staff costs are reduced as more ceremonies are taking place during the week, which increases the net position of surplus income.		
Democratic Services and Administration	**-85**	**-6%**
Variance due to ongoing staff vacancies.		
Growth Service	**-65**	**-5%**
Underspend due to ongoing staff vacancies.		
Other variances	**5**	**n/a**
TOTAL	**-240**	**n/a**

Corporate Resources

The Department has a net forecast overspend of £1.6m (4.6%). The main variances are:

	£000	**% of Budget**
Commercial Services	**1,640**	**n/a**
Pressure in Commercial Services are on-going. This includes recovery from the pandemic but also additional pressures through the increase in national living wage and general inflationary pressures felt in services.		
Audit and Insurance	**90**	**4%**
The main reason for the overspend is the underachievement of income on the provision of audit services to academies. A decision was made to cease this provision after the budgets had been set.		
Other variances	**-100**	**n/a**
TOTAL	**1,630**	**n/a**

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CHILDREN & FAMILY SERVICES - CAPITAL PROGRAMME 2022-26

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
		MAIN GRANT FUNDED PROGRAMME					
Mar-26	91,028	**Provision of Additional School Places**	**32,680**	**35,371**	**15,727**	**7,250**	**91,028**
		SEND Programme					
Mar-24	22,839	New/Expansion of Special School	4,367	9,572	8,900	0	22,839
Mar-23	500	Social Emotional Mental Helath (SEMH) Units	71	0	0	0	71
Mar-23	623	Communication & Interaction Difficulty Units	623	0	0	0	623
Mar-24	9,200	SEMH Special School - Free School	1,196	8,000	0	0	9,196
		Sub total - SEND Programme	**6,257**	**17,572**	**8,900**	**0**	**32,729**
Mar-26	11,009	Strategic Capital Maintenance	5,009	2,000	2,000	2,000	11,009
Mar-26	2,076	Schools Devolved Formula Capital	576	500	500	500	2,076
Mar-25	893	Schools Access / Security	493	200	200	0	893
Mar-23	4,445	Residential Homes - phase1	2,793	0	0	0	2,793
Mar-25	3,000	Residential Homes - subject to business cases	0	1,500	1,500	0	3,000
		Other Capital	**8,871**	**4,200**	**4,200**	**2,500**	**19,771**
		Overall Total	**47,808**	**57,143**	**28,827**	**9,750**	**143,528**

Future Developments - subject to further detail and approved business cases					
New Area Special School (subject to funding)					
Additional School Infrastructure arising from Housing Developments					
SEN Provision arising from new housing development					
Further Residential Opportunities					

ADULTS & COMMUNITIES - CAPITAL PROGRAMME 2022-26

APPENDIX C

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	230	Changing Places/Toilets (Personal Assistance)	30	0	0	0	30
Mar-23	150	HART Rostering System	39	0	0	0	39
Mar-23	194	Melton Library - LALS Classrooms	194	0	0	0	194
			4,710	**4,447**	**4,447**	**4,447**	**18,051**
		Social Care Investment Plan (SCIP):					
Mar-26	5,500	Specialist Dementia Facility - Coalville	250	1,750	2,550	950	5,500
Mar-25	3,832	SCIP - Additional Schemes to be confirmed - balance	377	1,955	1,500	0	3,832
		Sub-Total SCIP	**627**	**3,705**	**4,050**	**950**	**9,332**
		Total A&C	**5,337**	**8,152**	**8,497**	**5,397**	**27,383**

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

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2022-26

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
		Major Schemes					
Mar-26	85,270	Melton Distributor Road - North and East Sections	6,531	41,935	20,773	6,735	75,973
Mar-26	37,500	Melton Distributor Road - Southern Section	2,679	5,803	23,446	4,663	36,591
Mar-25	12,430	Zouch Bridge Replacement - Construction and Enabling Works	150	5,427	4,933	0	10,510
Mar-26	11,615	County Council Vehicle Replacement Programme	1,562	3,501	3,196	3,357	11,615
Mar-26	12,536	Advance Design / Match Funding	3,054	3,056	2,616	3,810	12,536
Mar-24	5,430	A511/A50 Major Road Network - Advanced design	402	2,429	0	0	2,831
Mar-25	2,225	Leicester and Leicestershire Integrated Transport Model - Refresh	525	1,250	450	0	2,225
Mar-23	26,920	M1 J23 / A512 Improvements	1,072	0	0	0	1,072
Mar-23	10,740	Anstey Lane A46	37	0	0	0	37
Mar-23	4,580	A42 Junction 13	12	0	0	0	12
Mar-23	325	Coalville Ashby Rd Hway works	84	0	0	0	84
Mar-26	10,000	Melton Depot - Replacement	0	647	8,127	968	9,742
			16,108	**64,046**	**63,540**	**19,533**	**163,228**
Mar-26	46,706	Transport Asset Management	0	19,048	14,531	13,127	46,706
Mar-23	3,463	Capital Schemes and Design	3,463	0	0	0	3,463
Mar-23	1,081	Bridges	1,081	0	0	0	1,081
Mar-23	398	Flood Alleviation- Environmental works	398	0	0	0	398
Mar-23	2,001	Street Lighting	2,001	0	0	0	2,001
Mar-23	681	Traffic Signal Renewal	681	0	0	0	681
Mar-23	4,529	Preventative Maintenance - (Surface Dressing)	4,529	0	0	0	4,529
Mar-23	9,479	Restorative (Patching)	9,479	0	0	0	9,479
Mar-23	20	Public rights of way maintenance	20	0	0	0	20
Mar-26	470	Network Performance & Reliability	386	28	28	28	470
Mar-26	700	Plant renewals	100	200	200	200	700
Mar-24	1,211	Property Flood Risk Alleviation	511	701	0	0	1,211
Mar-23	128	Cycleways - EATF	128	0	0	0	128
Mar-24	5,825	Hinckley Hub (Hawley Road) - National Productivity Investment Fund	4,070	651	0	0	4,720
Mar-26	2,481	Safety Schemes	865	1,116	250	250	2,481
Mar-25	770	Highways Depot Improvements - subject to business case	0	370	400	0	770
Mar-23	274	Externally Funded Schemes	274	0	0	0	274
			27,985	**22,113**	**15,409**	**13,605**	**79,112**
		Environment & Waste					
Mar-23	5,700	Kibworth Site Redevelopment (Commitments b/f)	3,635	0	0	0	3,635
Mar-24	8,800	Waste Transfer Station Development (Commitments b/f)	603	569	0	0	1,172
Mar-26	1,830	Recycling Household Waste Sites - General Improvements	188	232	1,160	250	1,830
Mar-23	75	Recycling Household Waste Sites - Lighting	75	0	0	0	75
Mar-23	385	Mobile Plant	385	0	0	0	385
Mar-24	650	Ashby Canal Reed Bed	0	650	0	0	650
Mar-23	150	Ashby Canal	150	0	0	0	150
			5,036	**1,451**	**1,160**	**250**	**7,897**
		Total E&T	**49,129**	**87,610**	**80,109**	**33,388**	**250,236**

Future Developments - subject to further detail and approved business cases					
A511/A50 Major Road Network					
RHWS Lighting					
New Melton RHWS					
Additional bid development/match funding					
Lutterworth Spine Road					
Windrow Composting Facility					
Compaction equipment					
Whetstone mobile plant					
Green vehicle fleet					
Stads Replacement					
DIY Waste Equipment					

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2022-26

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Mar-26	250	Leicestershire Grants	100	50	50	50	250
Mar-25	200	Legal - Case Management System - subject to business case	0	100	100	0	200
Mar-23	2,900	Rural Broadband Scheme - Phase 3	1,003	0	0	0	1,003
		Total Chief Executives	**1,103**	**150**	**150**	**50**	**1,453**

Future Developments - subject to further detail and approved business cases					
Rural Broadband Scheme					
Legal - Commons and Village Green Register					

CORPORATE RESOURCES - CAPITAL PROGRAMME 2022-26

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
		ICT					
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	100	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	0	0	0	950
Mar-23	100	CSC Telephony Replacement	91	0	0	0	91
Mar-23	280	Corporate ICT Programme	10	0	0	0	10
Mar-23	200	Cisco Core Network Switch Replacement	8	0	0	0	8
Mar-23	90	Session Border Controllers	23	0	0	0	23
		Sub total ICT	**1,332**	**0**	**100**	**2,390**	**3,822**
		Transformation Unit - Ways of Working					
Mar-24	1,494	Workplace Strategy - Office Infrastructure	1,244	250	0	0	1,494
Mar-26	9,400	Workplace Strategy - End User Device (PC, laptop)	905	1,169	862	1,293	4,229
Mar-25	1,517	Workplace Strategy - property costs, dilapidations and refurbishments	907	210	400	0	1,517
		Sub total Transformation Unit	**3,056**	**1,629**	**1,262**	**1,293**	**7,240**
		Property Services					
Mar-24	440	County Hall Lift Replacement Scheme	264	176	0	0	440
Mar-23	63	Bosworth Country Park - ANPR Car Parking	63	0	0	0	63
Mar-23	110	County Hall - Fire Compartmentation	13	0	0	0	13
Mar-23	110	Coalville Office - Window replacement - environmental improvements	2	0	0	0	2
Mar-23	85	Romulus Court - IT environmental monitoring (subject to approach review)	85	0	0	0	85
Mar-23	64	Croft Office - WC Cabin	64	0	0	0	64
Mar-23	500	Watermead Park Footbridge and Cycleway	366	0	0	0	366
Mar-23	65	Tree Planting Programme	49	0	0	0	49
		Sub total Strategic Property	**906**	**176**	**0**	**0**	**1,082**
		Climate Change - Environmental Improvements					
Mar-24	240	Electric Vehicle Car Charge Points	150	90	0	0	240
Mar-23	140	Minimum Energy Efficiency Standards & Performance Certificates	140	0	0	0	140
Mar-23	150	Energy & Water Strategy - Invest to save	150	0	0	0	150
Mar-23	93	Snibston E V Chargers & Solar Car Port	77	0	0	0	77
Mar-24	4,860	LCC Public Sector Decarbonisation Scheme	250	900	0	0	1,150
		Sub total Energy	**767**	**990**	**0**	**0**	**1,757**
		Total Corporate Resources	**6,061**	**2,795**	**1,362**	**3,683**	**13,901**

	Future Developments - subject to further detail and approved business cases					

Major System Replacements, IAS, Mosaic, Capita One, STADS, PAMS, s106 system					
<u>Strategic Property Future Developments</u>					
C Hall Eastern annexe - replacement roof and cladding to enable collections hub					
C Hall Eastern annexe - internal adaptations to enable collections hub					
<u>ICT Future Development:</u>					
Windows 11 rollout					
Romulus Court					
Remote Access					
Network Connectivity (Resiliency)					
WDM Equipment (DC to DC Connectivity Hardware)					
Telephony Equipment					
LoadBalancers					
Mobile Smartphone Refresh					
Solaris Storage					
<u>Country Parks Future Developments:</u>					
Potential for further Cafés					
Country Parks - ANPR ticketless car parking expansion					
Ashby Woulds Heritage Trail - resurfacing					
Broombriggs Farm Cottage - refurbishment					
New Adventure Play Facility					
Watermead CP - new bridge, possible re-start					
<u>Climate Change Future Developments</u>					

CORPORATE - CAPITAL PROGRAMME 2022-26

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
		Corporate Asset Investment Fund (CAIF)					
Mar-25	8,400	Airfield Business Park - Phase 3-4	0	6,300	2,100	0	8,400
Mar-24	6,390	Quorn Solar Farm	3,751	2,501	0	0	6,252
Mar-24	930	M69 Junction 2 - SDA	710	170	0	0	880
Mar-23	2,700	Lutterworth Leaders Farm - Drive Thru Restaurants	2,638	0	0	0	2,638
Mar-23	1,000	East of Lutterworth SDA (Planning and Preparatory works)	135	0	0	0	135
Mar-26	44,000	Asset Acquisitions / New Investments - subject to Business Case	0	10,000	14,000	20,000	44,000
Mar-23	52	Lutterworth East - SDA	52	0	0	0	52
Mar-24	5,000	Lutterworth East - Planning and Pre-Highway construction Works	1,109	3,500	0	0	4,609
Mar-23	83	Embankment House - Land Development (subject to approval)	83	0	0	0	83
Mar-23	5,780	Oakham, Panniers Way (subject to approval)	5,780	0	0	0	5,780
Mar-26	1,000	County Farms Estate - General Improvements	250	250	250	250	1,000
Mar-26	1,275	Industrial Properties Estate - General Improvements	525	250	250	250	1,275
		Sub total CAIF	**15,033**	**22,971**	**16,600**	**20,500**	**75,104**
		Future Developments					
Mar-26	60,000	Future projects - subject to business cases	0	20,000	20,000	20,000	60,000
Mar-26	20,600	Capital Programme Portfolio Risk	0	5,000	5,000	10,600	20,600
		Sub total Future Developments	**0**	**25,000**	**25,000**	**30,600**	**80,600**
		Total Corporate Programme	**15,033**	**47,971**	**41,600**	**51,100**	**155,704**

Future Developments - subject to further detail and approved business cases						
Sustainability / Invest to Save Schemes						
Lutterworth Spine Road						

APPENDIX D

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

All Savings Under Development lines are being treated as a programme, building on the successful ways of working from Defining Children & Family Services for the future programme, and will be called DCSF 2.

Staying Close
Staying Close is a model which provides an enhanced support package for young people leaving care from children's homes and is designed to be a comparable offer to the option to Stay Put, which supports young people in foster care to remain with their former foster carers until age 21. It provides an offer of move-on accommodation, alongside a package of practical and emotional support, provided by a member of staff from their former children's home or from someone who they know and trust. These bespoke packages of support help develop their confidence and skills for independent living, and for their emotional health and wellbeing. County Council savings will mainly appear in placement costs – residential and 16+ accommodation.

The DfE have funded 8 regional pilots since 2017/8. As well as more positive outcomes for young people, benefits quantified from these pilots averaged almost £2 of benefit for every £1 spent. A bid for £460k of funding has been submitted to the DfE to implement the Staying Close framework model in Leicestershire. The outcome of the bid is due imminently.

Family Breakdown
Parental mental health and substance misuse are key drivers behind family breakdown and children needing social care support and / or becoming a looked after child. This workstream is to help the service understand the root causes of children that escalate in care so that they can introduce new/additional practices that work in a preventative and holistic way to reduce the number of families that escalate and become Looked After Children.

Earlier Revocations
It has been identified that there are a number of children in care where they are placed with or spending a significant amount of time with their parents. The workstream is to ensure that revocations are made where appropriate, and at the earliest opportunity and in doing so, achieve permanence outside of the care system for our children and young people, giving them more security and reducing placement and support costs associated with drift, as well as care leaver costs and reducing the demand on 16+ accommodation.

Short Breaks
To develop the Councils approach to the provision of short breaks giving service users more autonomy and control over services. To explore opportunities around streamlined assessment and commissioning of services and to increase the support from volunteers to support children access activities. To explore alternatives to overnight short breaks to give greater choice to children.

Establishment Modelling
Looking at alternative delivery models, use of alternatively qualified staff to support social workers, as well as support staff to remove non value added activity to enable more time to be focussed on supporting families, increase caseloads and reduce the need to recruitment of agency staff to fill vacancies.

Fostering Sufficiency
Exploring the opportunity to reduce the cost of external foster placements by developing the internal offer or entering into a different commercial arrangement with independent agencies.

CIP Residential re-design next Phase iii
Expansion of residential investment for identified cohorts of children and young people.

Digitalisation Greater use of technology to create efficiencies in work to either deliver savings directly or allow additional work to be transferred that can be performed more cost effectively.

Prevention of escalation into Care – addition or increase to ART
Creating an in-house addition or alternative to the ART Team to prevent cases escalating in care need & cost. Giving the flexibility to provide preventative support to reduce the number of child in care starts, but also working with families to support children in care and their families to support the reduction in duration of their time in care.

Adults and Communities

Increased income from fairer charging & removal of subsidy/aligning increases
The Department for Work and Pensions increases in benefits payments should provide additional chargeable income. It is anticipated that income from older people will rise faster than inflation because of the protection of over 65’s benefits by the Government. This should help to maintain income levels in line with the savings target and will mitigate the impact of potential reductions in the income from under 65’s.

Additional Health/BCF Income
Additional income anticipated from the annual uplift on the protected social care element of the Better Care Fund (BCF).

Technology Enabled Care (extension)
Savings by developing a range of IT and digital solutions that can be used to support service user outcomes across the Care Pathway following the launch of a reshaped Care Technology service in partnership with Hampshire County Council and its

commercial partner PA Argenti. An invest-to-save business case for the project suggested savings between £2-5m could be achieved, of which £2.25m have been built into the existing MTFS. The additional £2m proposed is anticipated through an extension of the types of people able to access Care Technology, and the range of devices offered. Savings would be a mixture of avoided cost (reduced growth) and cashable savings.

Establishment Review (extension)
A pause on recruitment to vacancies left over from the various HR action plans as a result of the Establishment Review programme, with the view to deleting a number of these vacant posts to release more savings and/or holding a higher vacancy rate.

Mental Health Accommodation Pathway (extension)
The Mental Health Accommodation Pathway project has developed and embedded a progression model to reduce residential costs and other support for people with a main diagnosis of Mental Health. This will enable people to step down from building-based services into their own homes with flexible support to prevent a further relapse and escalation back into building-based services. A floating support scheme has been commissioned which will commence from June 2022 that will support people to maintain tenancies and promote well-being. Additional staffing is in place to help support the move to step down accommodation and substantial savings have already been made ahead of the existing MTFS profile.

Commissioning efficiencies (Direct Payments)
Clawbacks of unspent direct payments during 2021/22 amounted to a similar amount to previous years (around £3.5m), of which £2.5m of savings has already been taken from budgets through previous MTFS lines. Proposed to build clawback of additional unspent direct payments into budgets, removing the remaining average amount of clawback (£1m) that has not already been built in.

3 Conversations Model
The 3 Conversations approach recognises that people and their families are the experts in their own lives and by listening to them it could be possible to develop a different approach to meeting their needs; utilising resources and skills, building upon their strengths, connecting them to the right people, communities, organisations to make their lives better. This approach has now been used in more than 40 local authorities in England and a number of Health and Social Care partnerships in Scotland. A 12-month pilot supported by Partners4Change to develop and test the 3 Conversations Model in a number of innovation sites across different areas of the Care Pathway. These innovation sites will develop new ways of working and the results will be collated and analysed to inform a business case for the full roll-out of the 3 Conversations Model across the whole of the Care Pathway.

Digitalisation of service delivery
There are a number of opportunities to digitise manual processes that are being explored:

- Areas of manual processing that could be digitised to increase efficiency. Examples include the use of robotic process automation to automate low value, repetitive administrative tasks and chat bot technology.

- The integration of the LLR Care Record with social care case management system will enable efficiencies for staff to self-serve information from other stakeholders without having to waste time telephoning around.
- Encouraging people to use on-line assessments will improve turnaround time for people to be assessed and reduce the amount of administration and costs associated with handling post.
- Introduction of electronic signatures of documents is estimated to reduce processing time from three weeks to four days for Direct Payment Agreements and three months to one week for Individual Placement Agreements.

Income
Potential areas for additional income include:

- Deputyship/appointeeship charging (existing saving under development)
- New income areas e.g. Creative Learning Services

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.

ICB Prescribing Recharges
The Leicestershire ICB 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 they 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

Fee & Charges Review
Assessment of income generated through fees and charges to ensure regularity of review, consistency in approach and full cost recovery.

SEN Transport Lean Review
Potential for savings has been identified from expanding the use of Fleet Transport. This would allow service users to be transferred from high-cost taxi contracts onto the Council's own fleet. A further opportunity has been identified to introduce a comprehensive marketing / communications approach to voluntary PTBs to increase take-up further. In addition, work to better understand costs will allow more accurate charging for fleet hire.

Digital Approach to Home to School Transport
End to end integration and process re-design with Children and Family Services (CFS) and digital delivery. CFS currently have a tender out for High Needs Special Education Needs Programme to look at reducing spend on the High Needs Block budget. This work includes joining up school and transport decision-making to enable better outcomes from CFS and reduce the number of Education and Health Care Plans (EHCPs) with a corresponding reduction in the need for transport.

Developer Income, including Planning Pre-Application charges (PPAs)
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. Current view is there could be potential income from PPAs linked to a project the Growth Service is leading on. Current resourcing challenges mean potential income from pre-app charging is unlikely in the short term.

Chief Executive's

Corporate Review - Communities
Detailed review of service including consideration of other departmental needs and activities, staffing and efficiencies, grants provision and management, and partner contributions to overheads.

Corporate Review – Business Intelligence incl. Data Strategy
Instigation of a data strategy, aligning IT and Business Intelligence to drive a culture of data-led performance management across the Council. Review the infrastructure, skills roles and responsibilities required to deliver the Data Strategy for the Council to improve data management practices and identify where data collection could be improved and/or automated – driving efficiencies.

Corporate Reviews
Reviews of the following services in the Strategy and Business Intelligence Branch and closely related services based in other Departments under the branch: Policy and Strategy, Consultation and Engagement, Growth. Scoping papers have been prepared.

Increasing income generation
Increase income generation from partners and other bodies by leveraging increases in existing charges and exploring further support provision. Areas in scope include Local Pensions Board and Associated Bodies, Combined Fire Authority, ESPO, Business Intelligence, Ecology and heritage advice, Freeport management/admin and Additional Planning, Historic and Natural Environment fee income.

Department structure and functions
Undertake a full review of business support, and management structures and functions to drive potential efficiency and savings.

Process and service efficiencies
Undertake a detailed review of areas where there is high volume of standardised work to consider if there are efficiencies that can be achieved through streamlining processes or greater digitalisation.

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 Additional Voluntary Contributions. This approach would provide an NI saving to employers to the value of 14.3%, which is available to the County Council if the scheme is implemented, marketed and managed inhouse.

Supplier Early Payment Discount
The proposed change is to move some suppliers to an earlier payment window/reduced Service Level Agreement (SLA) that will in turn attract a discount deducted from the settlement value. There are a number of other authorities that have moved to this approach and are seeing the benefits.

People Hub
A centralised People Hub could be created that would undertake recruitment administration and compliance checks for departments with a priority being given to recruitment thereby freeing up managers time and creating a centre of excellence.

This could enable:
- Financial savings through centralisation of people and processes
- Income generation from assessment centres
- Free up time spent by managers on recruitment related tasks (estimated around 10 hours outside of interview and onboarding) – offset/reducing growth
- Improve compliance, e.g. Employee checks and registrations, IR35

- Improve recruitment and retention – the ability to put together corporate recruitment campaigns particularly for hard to recruit to posts
- Potential reduction in agency spend

Department Structure

Corporate Resources consists of a large number of functions split under three assistant directors. All services in general focus on organisational compliance and/or provide support to the wider authority across a variety of functions and so it is important to ensure the right teams, structure, function and skills are in place. A number of areas including ICT and business support are under review to ensure they are best placed to support the department and the authority, with other functions being reviewed as part of this work, including:

1. management structure,
2. duplication of corporate functions across the authority, and
3. the wider support offer to departments to ensure smooth, efficient and cost effective operations.

Cost of provision

This review aims to revisit the spend on Insurance, Tax and Procurement activities - exploring opportunities to legally reduce our tax and insurance liability.
Also in scope would be exploring alternative buying approaches, and highlighting the further potential opportunity to scrutinise the Council's highest spending areas with a view to challenging potential over-specification, buying rationale, or commissioning effectiveness – where key value could potentially be obtained at a substantially lower cost, through retendering.

Use of Technology

Over the last three years the Council's eco-system of IT tools and infrastructure has matured, providing the foundations for an acceleration of digital delivery.
There are currently under-utilised corporate tools and methods which, if implemented, would reduce duplication, speed up processing and possibly automate manual tasks. Optimising the Council's IT and digital toolkit would enable the authority to build the foundations for a data enabled future.

A key opportunity as part of the consistent use of the corporate toolkit is process automation, which could be applied to many repetitive processes to enable efficiencies and cost reduction. Alongside this, there are also potential opportunities from revisiting staff's technology and licence costs for the tools and software they are using – ensuring this meets organisational need in the most cost-effective way.

Managed Assets

The Council's property assets and the way they are managed, planned, used and procured can have a fundamental impact on the Council's ability to deliver its services and their cost. The specific aims of this work are to:-

- Align asset management planning with the corporate and service delivery needs having regard to financial and resource planning.
- Identify the future property and asset management requirements necessary to deliver service priorities.
- Set out a programme of strategic reviews and initiatives together with an asset management delivery plan.

Energy Initiatives

A survey of all remaining County Council buildings has recently been undertaken to amend and optimise existing heating control settings; and identify further opportunities for improvements. These include further expansion of solar capacity and less carbon intensive methods of heating (e.g. air source heat pumps). There is an aspiration that the authority will be successful in bids for the Low Carbon Skills Fund to access specialist consultant support, and further central government or Midlands Energy Hub funding to provide the necessary capital and allow progression of opportunities prioritised; impact and cost details or plans for progression are understood to remain outstanding. A study of County Council land has been commissioned to identify if further opportunities exist to build renewable energy generation infrastructure.