Meeting: **Scrutiny Commission**

Date/Time: **Wednesday, 4 September 2024 at 10.00 am**

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

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

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

Membership

Mr. M. T. Mullaney CC (Chairman)

Mr. N. D. Bannister CC	Mr. T. Gillard CC
Mr. T. Barkley CC	Mr. M. Hunt CC
Mr. M. Frisby CC	Mr. J. Morgan CC
Mrs. H. J. Fryer CC	Mrs. R. Page CC
Mr. S. J. Galton CC	Mr. T. J. Richardson CC

SUPPLEMENTARY AGENDA PACK

Item		Report by	
8.	Medium Term Financial Strategy - Budget Monitoring and MTFS Refresh	Director of Corporate Resources	(Pages 3 - 50)

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Leicestershire County Council

SCRUTINY COMMISSION – 4 SEPTEMBER 2024

MEDIUM TERM FINANCIAL STRATEGY – BUDGET MONITORING AND MTFS REFRESH

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. The purpose of this report is to provide members with an update on the County Council's short and medium term financial position in light of the current economic climate. The report also details the changes to the previously agreed 2024-28 capital programme following the latest review, and covers the specific revenue budget monitoring position as at the end of period 4 (the end of July).

Policy Framework and Previous Decisions

2. The Medium Term Financial Strategy (MTFS) for 2024/25 to 2027/28 was approved by the County Council on 21 February 2024. The MTFS forms part of the Budget and Policy Framework as set out in Part 4C of the Council's Constitution.

Timetable for Decision (including Scrutiny)

3. The Cabinet will consider a report on the MTFS position on 13 September 2024, including the proposed changes to the previously agreed 2024-28 capital programme, and use of the forecast 2024/25 revenue underspend.

4. The Cabinet will be asked to approve the draft MTFS 2025 to 2029 for consultation in December 2024. All Overview and Scrutiny Committees and the Scrutiny Commission will consider the draft MTFS in late January 2025 and the Cabinet will then make a final recommendation to the County Council in February 2025.

Medium Term Financial Strategy

5. The County Council continues to face a challenging financial outlook. The current MTFS showed the 2024/25 revenue budget as being balanced only after the use of £6m from earmarked reserves and anticipated a funding gap of £33m in 2025/26 rising to £83m by 2027/28, despite savings of £81m being targeted and built into the financial projections.

An initial review of the position in light of service pressures, particularly those relating to children's social care and unaccompanied asylum seeking children through demand and cost increases, indicates that the Council will face additional costs in 2024/25 and future years.

6. The national economic picture continues to impact on the Council's MTFS. CPI inflation peaked in October 2022 at 11.1%, remained above 10% until March 2023 and then slowed to 4.0% by December 2023, and continued that trend to reach 2.0% in May and June 2024. The latest figure, for July 2024, shows a minor reversal to the trend and stands at 2.2%. The Bank of England is currently forecasting that inflation will increase to around 2.75% by the end of 2024 before falling again. There are no indications that prices will fall back towards their historic level, resulting in a permanent increase in the Council's underlying cost base.

7. The pressures of inflation 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.

8. In the short term, the County Council will benefit from higher than anticipated investment interest income due to continued higher levels of interest rates. The Bank of England increased the base rate of interest 14 times in a row from December 2021 to August 2023 in a bid to tackle high inflation, reaching 5.25%, its highest level since the 2008 financial crash. That rate had remained unchanged through seven subsequent meetings and has been reduced to 5% by the latest meeting, held on 31st July. The next meeting will be on 18th September.

9. Based upon the available information, assuming current trends continue and new Government support is not forthcoming, the County Council's budget gap is set to grow from £33m in 2025/26 and could reach £100m by 2028/29. It is inevitable that the £81m of savings planned will have to increase significantly and that the County Council will need to give serious consideration to further Council Tax increases. 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. £100m is almost one fifth of the Council's net budget.

10. The Council will continue to pursue efficiencies. However, it is clear that in the current climate, and on the back of the £262m 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.

11. The Capital Programme will also need to continue to be prioritised with only essential projects progressing. The revised four-year capital programme includes a shortfall in funding of £87m which will be funded by borrowing. The additional revenue costs arising from this borrowing total £7m per annum on the basis of internal borrowing.

12. The County Council has continued to press the Government to address the imbalance on relative funding levels between local authorities and will do so with the new government. However, the new government has not yet set out its position in relation to Fair Funding, although a Spending Review will be taking place later this year. Further information is expected in the Chancellor's budget on 30th October.

13. 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.

14. It is vital that the County Council continues to act as quickly as possible to address its financial problems. The challenges being faced are being felt by most authorities, including the best funded, and the authorities unable to balance their budget first will ultimately face the biggest impact upon services. The number of authorities issuing Section 114 notices, or raising the prospect of doing so, continues to grow.

2024/25 REVENUE BUDGET MONITORING – PERIOD 4

15. The Period 4 revenue budget monitoring exercise shows a balanced position, after the use of a forecast net underspend of £6.4m to fund an increase in the capital programme risk contingency .

16. A summary of the position is summarised below and set out in more detail in Appendix A.

REVENUE BUDGET MONITORING STATEMENT
FOR THE PERIOD : APRIL 2024 TO JULY 2024

	Updated Budget	Projected Outturn	Difference from Updated Budget	
	£000	£000	£000	%
Schools Budget – Schools and Early Years	0	-3,010	-3,010	
Schools Budget – High Needs	0	23,450	23,450	
Net Total	0	20,440	20,440	
Children & Family Services (Other)	120,971	130,041	9,070	7.5
Adults & Communities	239,041	226,301	-12,740	-5.3
Public Health	-2,606	-2,606	0	0.0
Environment & Transport	107,691	107,891	200	0.2
Chief Executives	16,283	16,313	30	0.2
Corporate Resources	39,465	39,185	-280	-0.7
Capital Financing	17,400	16,800	-600	-3.4
Contingency for Inflation	25,537	19,137	-6,400	-25.1
Other Areas	-4,798	-10,978	-6,180	n/a
Contributions to earmarked reserves	15,000	21,640	6,640	44.3

Additional commitments (Capital programme risk contingency)	0	6,363	6,363	n/a
Contribution from budget equalisation reserve to balance 2024/25 revenue budget	-6,377	0	6,377	-100.0
Total	567,607	570,087	2,480	0.4
Funding	-567,607	-570,087	-2,480	0.4
Net Total	0	0	0	

17. 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

18. Overall a net overspend of £20.4m is forecast on the Dedicated Schools Grant (DSG). This comprises an overspend of £23.5m on the High Needs Block, offset by a forecast underspend of £2.5m on the Early Years Block, and an underspend of £0.6m on the Schools Block from schools' growth, which will be retained for meeting the costs of commissioning school places in future years.

19. The High Needs Block projected overspend of £23.5m in 2024/25 is £6.5m more than the £17.0m forecast included within the original MTFS due to a higher than budgeted number of High Needs students in both independent schools and mainstream schools.

- Overall there is a forecast overspend in the placement budgets of £5m as a result of an increase of 435 (7.1%) in the number of funded places, the significant increases are within mainstream schools which are forecast to be 16.2% above budget and Post-16 by 14%. Overall unit costs across placement types show a decrease. This is offset by a small decrease in the use of local specialist places. Independent placements are in line with expectations. Unit costs appear stable with some provision types being less than budget. An overspend on specialist teaching services and the Secondary Education Inclusion partnerships of £1m is also forecast. The department are undertaking further analysis to understand the reasons for the increase in numbers.

- Additionally, latest figures published by the Department for Education (DfE) forecast a £0.5m reduction in 2024/25 High Needs DSG income. This is due to an increase in students placed in provisions outside of Leicestershire as at Spring census date than the same point the previous year. The County Council has challenged the level of grant reduction and is awaiting the outcome.

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

21. Leicestershire is actively engaged within the DfE's Delivering Better Value (DBV) in SEND programme as a result of the DSG deficit. At the end of 2023/24 the accumulated High Needs deficit stood at £41.2m. The Transforming SEND in Leicestershire (TSIL) programme has moved to an implementation and sustainability phase and improvements created during the design stage are being rolled out; this programme and the DBV programme are closely aligned.

22. Without new interventions the High Needs block deficit is expected to continue to increase over the MTFS period and is not financially sustainable. This creates a significant and unresolved financial risk to the Council.

23. The Early Years budget is showing an underspend of £2.5m. The budget is based on the number of hours used to calculate the original 2024/25 Early Years DSG income in December 2023. The forecast hours paid to providers for 2024/25 are £6.3m more than the budget. £1.2m of this is due to there being 39 paid weeks in the financial year April to March, a period covering two academic years. The funding is based on 38 weeks. It is expected that this will balance out in a future year. Payments forecast are also expected to increase by £5.1m due to an increased number of children compared to the budget. This is due to a higher number of 2-year-olds with working parents than originally forecasted by the DfE and a higher number of under-2s now being forecasted by the DfE.

24. The DSG grant has been increased to allow for the difference between the Spring 2024 census and the Spring 2023 census. There will be additional DSG income to fund the increase of 2-year-olds with working parents and the additional forecast for under 2-year-olds. The estimated increase to DSG Grant is £5.1m for the 2-year-olds with working parents, £0.55m for Spring 2024 census, £1.2m for under 2's and £0.37m relating to a prior year adjustment which being received this year. This gives a total increase of £7.3m for the DSG Grant.

25. There is also a planned underspend of £1.1m as part of the payback of previous years' Early Years deficits, and centrally managed budgets are forecast to underspend by £0.4m. The Early Years DSG deficit as at 31 March 2024 was £3.1m. The plan is to clear this deficit over 4 years. The DfE will recalculate the 2024/25 Early Years DSG income to allow for the Summer and Autumn Censuses which will count the additional 2-year-olds and under 2s, entitled to funding as part of the Early Years expansion.

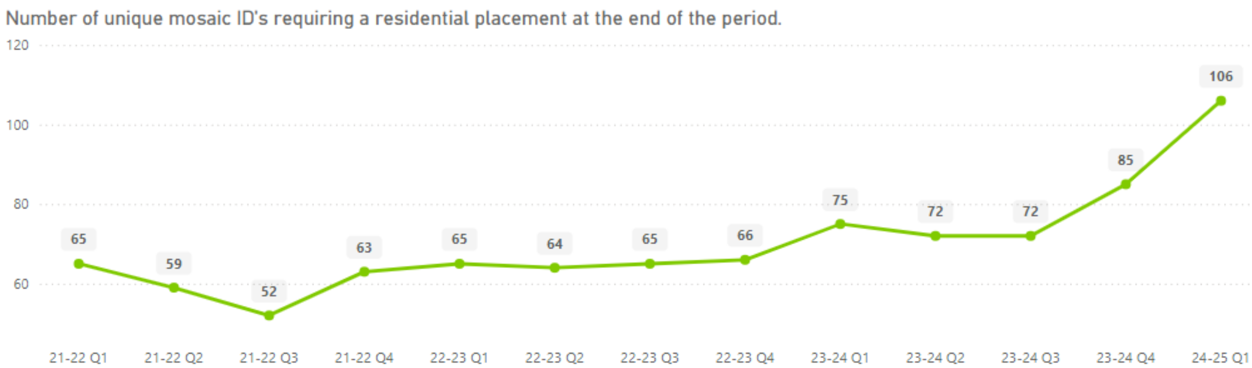
<u>Children and Family Services – Local Authority Budget (Other)</u>

26. The Local Authority budget is projected to overspend by a net £9.1m (7.5%), mainly relating to projected overspends on the Children's Social Care Placements budget (£4.9m), Unaccompanied Asylum Seeking Children's budget (£2.1m), SEN Service budget (£1m), and Education Psychology Service (£0.9m).

27. The projected overspend on the Children's Social Care Placement budget (£4.9m) is largely due to change in demand / numbers in relation to children in residential provision, in comparison to budgeted assumptions. The MTFS for this financial year assumes budgeted residential numbers by March 2025 to be at 86 children (this includes parent and child placements). Trend and demand analysis at the time of budget setting, based

on numbers between April 2021 to January 2024, indicated that the budgeted assumption of net demand of residential numbers growing to 86 by March 2025 to be reasonable and reflective of data-driven demand analysis. However, between the period of January 2024 and period 4, residential numbers increased rapidly to over 100 children. Current projections, based on current trajectory plans of children suggest children in residential provision could reach 112 by end of March 2025 (30% increase vs budgeted MTFS projection). The financial impact of this change in demand is significant.

28. The graph below shows a visual illustration of how demand in residential starts has changed over time, and the increase in demand from 2023/24 quarter 3.



29. The table below shows the difference in both projected numbers and weekly unit cost for some of the costliest placement types, comparing MTFS budgeted position to current projected position.

	24/25 MTFS budgeted Assumptions		**24/25 Current Projected Position**		**Budgeted vs Current Position - Difference**	
Placement Type	**Numbers**	**Weekly Cost £**	**Numbers**	**Weekly Cost £**	**Numbers**	**Weekly Cost £**
Residential Provision	86	6,181	112	5,880	26	-301
Independent Fostering Provision	150	926	142	964	-8	38
16plus Supported Accommodation (Non UASC)	77	1,666	80	1,900	3	234

30. The financial pressure is further compounded by market instability and provider choice which is resulting in children with a range of complex needs being ‘unattractive’ to the market (needs include violence and aggression as a result of experiencing trauma) and results in the use of high cost, £12,000+ per week per child, interim provisions until behaviour stabilises or another placement can be found. Other sufficiency issues impacting on budget pressure include a lack of step-down options from residential provision. There are approximately 16 children who have been waiting long periods for family-based placement, an increase of six from the position 12 months ago - with

continued searches and work with providers to try to identify suitable provision. This is not helped by a low recruitment pipeline for mainstream carers nationally which particularly impacts on availability of placements for older children and those with more complex needs.

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

32. The £2.1m projected overspend position in relation to the Unaccompanied Asylum-Seeking Children (UASC) budget is largely due to the continued increase in UASC in care and care leavers, which has required a greater resource requirement to meet their needs. The impact of the development of dispersal hotels and the National Transfer Scheme (NTS) protocol development has resulted in an increase in the number of children who are UASC being accommodated by Leicestershire. Local authorities are mandated to receive UASC through the NTS if they are below their 0.1% threshold, which is calculated from the number of UASC funding claims (for under-18s) made by that local authority, and the latest ONS estimate of that local authority's total child population at that time. In Leicestershire's case, the 0.1% threshold currently equates to 140 Looked After Children UASC aged under 18. No consideration is given to the number of UASC care leavers aged 18+, which means the Council continues to have more demand for care leaver services and the current funding for care leavers decreases, but the demand grows. The Council continues to work with the East Midlands Council's Strategic Migration Partnership which continues to challenge the situation with the Home Office.

33. The number of UASC care leavers is projected to grow to over 200 plus by the end of the financial year, which includes a number of UASC Looked After Children who will have turned 18 in the next 6 months. In addition to the UASC care leaver numbers growing, the Council will also receive more referrals from the NTS as it is likely to fall below the 0.1% threshold level of 140 Looked after Children numbers. Overall this is a significant demand/financial pressure. The table below shows the change in demand over the last 3 financial years, and with demand likely to increase further over the period of the MTFS.

	UASC In Care (Under 18's)	Annual % Increase	UASC – Care Leaver (Over 18's)	Annual % Increase
Mar-22	60		69	
Mar-23	97	62%	112	62%
Mar-24	132	36%	163	46%
Jul-24	102	-23%	197	21%

34. The Special Educational Needs Assessment Service budget is currently forecast to overspend by £1.0m in 2024/25. Increased service demand and complexity has resulted in the need for additional service resources to ensure demand can be managed in the most efficient and effective manner. Although some growth funding was approved for 2024/25 this was insufficient to meet statutory responsibilities. A heavy reliance on agency workers to undertake Education, Health and Care Plan (EHCP) writing and tribunal work has resulted in a significant forecast overspend in this area. Meanwhile mediation costs remain high, adding to the forecast.

35. The Education Psychology service is projected to overspend by £0.9m in 2024/25. Difficulties recruiting into vacancies in this area has resulted in an increased reliance on locums at a significantly higher cost. Increased demand due to an increase in the number of EHCP needs assessments has further impacted the overspend position.

36. There is also an increased demand for social care children in need of financial support (Section 17/23 of Childrens Act 1989), which supports children with challenging behaviour, as well as children with high needs 'on the edge of care' and therefore such preventative spend is seen as a more cost effective solution, avoiding the high costs of supporting children in the actual care system. The projected overspend on this budget for this financial year is projected to be £0.4m.

37. As a direct response to the projected overspends as described above, the departmental management team continue to lead on a review of non-statutory services supported by the introduction of corporate led financial controls. Taken together and with continued robust management and review of vacancies within the department the output of this work is projecting to deliver some net one-off in year efficiencies, and budget opportunities - £0.3m at this early stage, which includes delaying recruitment to non-essential posts where appropriate. Further work is being undertaken to explore the feasibility of this work and its scope to deliver on-going future budget efficiencies.

38. In light of the various financial pressures across the department, further mitigating actions (acting as key enablers in supporting both current and/or future MTFS savings / demand management) in place include:

a) Right service at the right time - ensuring reduced periods of care or care avoidance through family help and family support new models of working; and targeted interventions through exiting care by legal orders and step-down from residential interventions; refocusing resource on edge of care high need.
b) Improved oversight and sign off processes for those children with complex and escalating needs extending from Heads of Service to Assistant Director/Director level where appropriate.
c) Continued business activity introduced by the Defining Children's and Family Services programme focusing on children who have been referred to the Children and Family Services commissioning service for a placement and are likely to result in residential care due to market sufficiency issues or high need. This meeting is being extended to include foster care referrals received for children age 12+ who by virtue of their age and due to market pressures, are at risk of residential care.

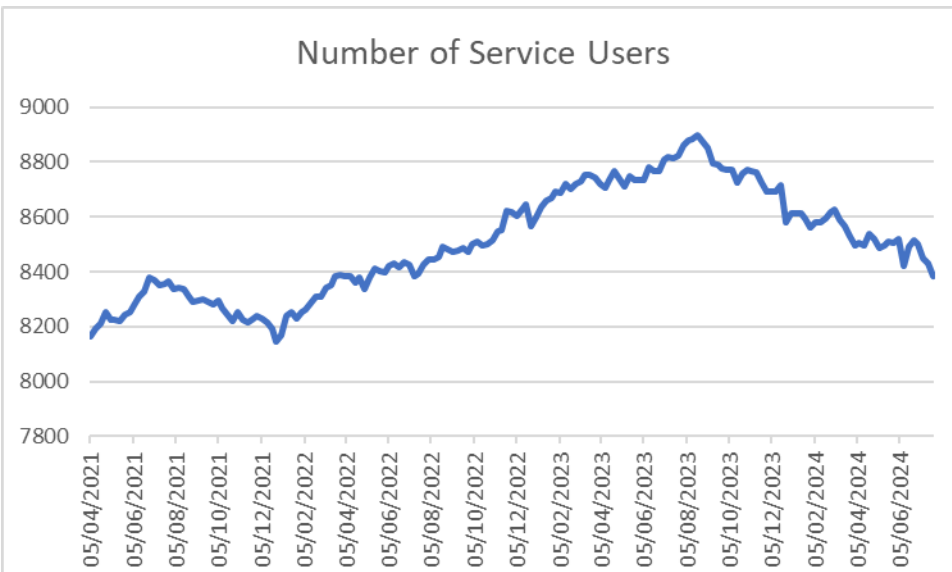
d) Continued focussed management and review of vacancies within the department, with the output of this work projecting to deliver some one-off in year efficiencies and budget opportunities which includes delaying recruitment to non-essential posts where appropriate.

Adults and Communities

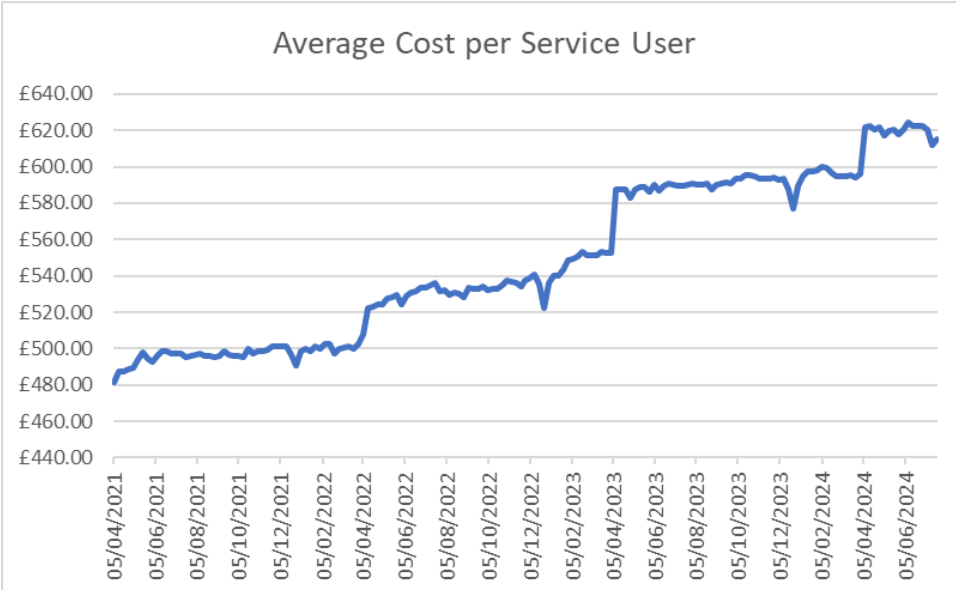
39. A net underspend of £12.7m (5.3%) is forecast for the revenue budget for 2024/25.

Overall Demand Trends

40. The chart below shows the overall number of service users being supported across Residential Care, Homecare, Supported Living, Cash Payments and Community Life Choices from April 2021 through to June 2024. Typical growth would be approximately 1-1.5% per annum. However, current number of service users supported have now decreased to an annualised rate of 1.6% per annum since 2021. The department has worked to be more efficient with commissioning resulting in a decrease in number of service users of 2% since April 2023.



41. The average cost per service user rose over the same time period. The rise from April 2024 relates to the annual fee review uplift. Uplifts occur in April each year (except an additional one in October 2023 for residential care), and shows from May onwards.



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

43. The department has established a wide-ranging demand management programme and a panel to review care packages since September 2023 which has started to have an impact on all commissioned services. It is still early in the financial year to be confident that these trends will continue.

44. The main areas of budget variance forecast in 2024/25 are:

<u>Residential Care - £3.2m underspend</u>

45. This underspend reflects a reduction in service user (SU) numbers in the previous few months compared to the expected level of SU numbers and accounts for £1.1m of the underspend. The forecast is based on 2,439 SUs per week costing an average of £1,074 per week. There is a significant increase in residential service user income which is mainly due to clearing a backlog of financial assessments which has generated an additional (£1.0m) one off income and there is additional health income (£0.5m) due to increasing numbers of service users receiving funding.

<u>Homecare - £2.7m underspend</u>

46. The number of home care service users and average hours has been falling since the introduction of the Fair Outcomes Panel in September 2023. The budget is based on an average of 2,690 SU per week. The latest forecast has an average 2,600 SU per week with an average cost per SU of £345 per week.

Direct Cash Payments - £2.5m underspend

47. The forecast underspend is mainly due to an 11% reduction in service users offset by a 13% increase in SU package cost. SU numbers have decreased since budget setting and levels of new SUs have halved, which is likely due to the effects of the Fair Outcomes Panel. The forecast is based on an average of 1,738 SU with an average cost of £474 per week and Carers averaging at 1,251 SU with an average cost of £53 per week. Market Sustainability and Improvement Fund grant has been received towards new SUs with increased personal assistant rates. This was implemented in August 2023 but has had a slow start with costs assumed to increase over the year.

Supported Living - £1.3m underspend

48. The forecast is lower than budget as there are less referrals being received, partly due to the level of vacancies within the Care Pathway but also alternative ways to commission are being pursued from the Fair Outcomes Panel and in group supervisory meetings. It is estimated that there will be an increase of approximately 35 service users over the course of the financial year. Two schemes are coming online with places of 16 and 15 respectively which should be allocated by the end of September.

Community Life Choices (Day Services) - £0.9m underspend

49. The number of service users peaked in October 2023 and since then numbers have been decreasing rather than increasing which has been the historical trend.

50. The net underspends above are increased by a net £2.1m underspend mainly from staffing vacancies, grant income and other minor variations.

51. A robust demand management plan will continue to be in place during 2024/25 which will focus on managing demand particularly for homecare, including:

- reviews of all service users' packages that have commenced or changed since April 2022
- working with NHS partners to help improve the discharge pathway including reviewing funding arrangements
- ensuring financial and funding assessments are undertaken
- reviewing internal processes.

Public Health

52. The department is forecasting to be on budget.

Environment and Transport

53. A net overspend of £0.2m (0.2%) is forecast.

54. Across Highways and Transport operations a net £1.7m overspend is forecasted as a result of:

- Mainstream School Transport - £1.0m overspend. Increase in overall number of students entitled to mainstream school transport and a rise in the number of routes. Bus operational costs have also increased resulting in higher contract costs, which combined with limited bus capacity, has resulted in a greater number of pupils being transported by taxi. Furthermore, additional costs are expected following DfE statutory change to Mainstream home to school transport policy, which becomes effective from September 2024.
- Environmental and Reactive Maintenance – net overspend £1m in response to increasing demand for reactive repairs on a deteriorating road network. This is a statutory duty with works being undertaken in line with service policy.
- SEN Transport – £0.7m overspend. Delays in receipt of applications for SEN transport leading to higher-cost procurement / spot-purchasing, combined with the effects of a shrinking transport sector. Also £0.1m shortfall in growth provision to meet the rise in the number of SEN transport journeys.
- Social Care Transport / Passenger Fleet - net underspend £0.6m. Savings achieved from contract reviews plus £0.1m underspend arising from over-provision of growth to meet the rise in the number of commissioned journeys for Social Care Transport. Overall underspend on Passenger Fleet due to vacant driver and escort posts, net of additional vehicle hire and maintenance costs.
- Network Management - £0.4m underspend arising from additional Temporary Traffic Regulation Order applications.

55. Development and Growth services are forecasting a net £0.8m underspend due to vacancies across teams.

56. There is a net underspend of £0.6m forecast on Environment and Waste Management services. Additional income from the sale of dry recyclable materials (£0.6m), together with underspends arising from staffing vacancies (£0.1m) are offset by overspends on property and plant-related costs across the Waste Transfer Stations (£0.1m).

57. The remaining balance relates to £0.1m forecast underspends on department and business management due to staffing vacancies and reduced spend on software licenses.

Chief Executive’s

58. The Department is reporting a small net overspend of £30,000.

Corporate Resources

59. There is a projected net underspend of £0.3m (0.7%) due to a combination of vacancies across several parts of the department and reduced commissioning spend. This is largely because of the introduction of tighter corporate led financial controls, together with existing robust management and review of vacancies within the department delivering a number of in-year efficiencies. This is offset by a contribution to the Investing in Leicestershire Programme (IiLP) earmarked reserve (sinking fund) of £0.5m. This will help offset a forecast loss of £1.8m that will be funded from the sinking fund relating to

the divestment of certain pooled property investments, explained in more detail within the IiLP section later in this report.

Central Contingencies

60. MTFS Risks Contingency (£10m original budget, £9.0m balance). £1m of the contingency has been released to provide temporary support to the Commercial Services budget. No further release of the contingency has been assumed in the projection. Monies that are not required to offset issues elsewhere in the 2024/25 budget will be transferred to corporate earmarked reserves to assist with addressing the projected budget gaps in future years.

61. Inflation Contingency (£36.1m original budget, £25.5m balance). The contingency is currently projected to be underspent by around £6.4m in the current year. This mainly relates to lower costs on the Adult Social Care Fee review than anticipated in the MTFS. The pay offer on the table at the moment for Local Government staff for the current year is lower than the assumption in the MTFS but given the fact that the Unions are urging their members to reject the offer the eventual cost of the settlement could be higher. The position on a number of other key requirements, such as energy and other running cost inflation should become clearer as the year progresses so at this stage there is considerable uncertainty in this estimate.

62. Service Investment Fund (£0.2m original budget). This budget has been transferred for 2024/25 purposes to the Environment and Transport budget, to be used for flood investigation and scheme development work to address flooding as well as bidding for funding for project delivery. It will also provide capacity to administer Government flood-related grant funding.

Central Items

63. The Financing of Capital budget is forecast to be £0.6m underspent, due to a reduction in interest payments following the early repayment of £10m of external debt principal in April 2024. Following high periods of inflation in the UK there had been an increase in the discounts available for the premature repayment of debt. At the start of the year the Council was £18m overborrowed against the capital financing requirement (the level of historic capital expenditure required to be funded).

64. Bank and other interest, £5.0m increased investment income. This is due to the Bank of England base rate levels being higher, and for longer than forecast, and higher than estimated average Council balances. The Bank of England base rate stands at 5.0% with market forecasts of future reductions now being later in the year. Average balances remain strong due to increases in earmarked reserves, the latest phasing of spend on the capital programme and government grants received in advance.

65. Central expenditure budgets are currently forecast to underspend by £1.2m. This comprises £1.0m relating to the cleansing of receipted aged purchase orders that are no longer required and £0.2m regarding a reduction to prior year business rates relating to Beaumanor Hall.

66. Additional contributions to corporate earmarked reserves of £6.6m. This relates to £3.2m to provide cover for the increase in the High Needs Block deficit, £2.4m from increased business rates income, as set out below, to be used to offset the anticipated gap in the MTFS projection in 2025/26, and a £1m contribution to the Transformation reserve, which is forecast to require additional funding over the MTFS period.

67. The Cabinet will be recommended to approve the use of the forecast net underspend of £6.4m to fund an increase in the capital programme risk contingency.

68. The approved MTFS projected a net gap in 2024/25 of £6.4m which was planned to be covered by a contribution from the budget equalisation reserve. Given the current forecast position, that contribution is forecast not to be required.

Business Rates

69. Additional Business Rates income of £1.2m is forecast in 2024/25, based on the latest information from district councils on their NNDR1 forms and forecast section 31 grants. The MTFS adopted a prudent approach and did not allow for potential real terms growth or for the full impact of inflation in charges to businesses and section 31 grants.

70. Additional Business Rates Pool levy income of £1.2m is forecast for 2024/25. The current forecast based on data in the NNDR1 forms shows a total of £23.0m, of which one third (£7.7m) will be allocated to the County Council under the revised treatment of Levies reported to the Cabinet in June 2023, compared with the forecast of £6.5m included in the 2024/25 budget. Monitoring of the 2024/25 business rates pool is being undertaken and an update will be provided in the next monitoring report.

Overall Revenue Summary

71. At this stage the revenue budget is balanced after the transfer of £6.4m set out below.

72. There are increasing pressures on the capital programme, through increasing construction costs and risks to future capital grants. The Cabinet in September will be recommended to allocate £6.4m from the 2024/25 forecast revenue outturn to increase the capital programme risk contingency.

CAPITAL PROGRAMME – CAPITAL REVIEW

73. Over the summer the four-year capital programme has been reviewed and refreshed to reflect the latest estimates and profile of capital schemes, new capital grants and other funding changes.

74. The original MTFS 2024-28 capital programme totalled £447m. This was increased at Period 2 (May 2024) to £497m after adjustments from the 2023/24 outturn due to the rephasing of expenditure on schemes, and new grants announced to Period 2.

75. Following the review over the summer the revised capital programme has been reduced to £494m. The changes are mainly due to a reduction in future years planned spend where the associated grant funding is now uncertain, offset by increases to some schemes. The increases to schemes are partly funded by additional capital grants and external contributions, but in some cases the Council has also had to use its own funding to finance the required levels of spend. Details are included in the following paragraphs.

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

Capital Programme Expenditure 2024-28	Original 2024-28 Programme £000	Updated 2024-28 (Period 2+ Outturn) £000	Revised 2024-28 (Aug24 Refresh) £000	Revised Programme Changes £000
Children & Family Services	90,978	114,342	122,675	8,333
Adults and Communities	22,162	23,230	23,230	0
Environment & Transport	207,376	228,344	211,059	(17,285)
Chief Executive’s	200	200	200	0
Corporate Resources	9,972	12,746	12,396	(350)
Corporate Programme	116,795	118,230	124,580	6,350
Total	**447,483**	**497,093**	**494,140**	**(2,952)**

Capital Programme Funding 2024-28				
Grant Funding/ Specific Contributions	215,852	255,217	237,833	(17,384)
Discretionary Funding – capital receipts/ Revenue/ Reserves	138,198	148,443	168,844	20,402
Discretionary Funding – borrowing required	93,433	93,433	87,463	(5,970)
Total	**447,483**	**497,093**	**494,140**	**(2,952)**

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

<u>Children and Family Services</u>

78. The overall programme has increased by £8.3m due to the following:

- SEND Capital Programme, £3.2m. Additional DfE High needs capital grant to expand special schools.
- School Accommodation Programme, £4.3m. Increased capital reserve contributions from the repayment of section 106 contributions previously forward funded.
- Music Hub Equipment, £0.5m. New DfE capital grant for music equipment in schools.

Adults and Communities

79. Minor reprofiling of spend but no other significant changes.

Environment and Transport

80. The revised capital programme has been reduced by £17.3m. The main changes are:

- Melton Mowbray Distributor Road (MMDR), £11.6m. This major scheme is a new 7.1km road construction around the North and East of Melton and is now approximately 50% complete with a planned completion date of early 2026. The original budget, agreed by the Cabinet in 2022, was £127.7m including a contingency of £11.6m which was held centrally. The latest forecast of scheme costs show that the contingency (held in earmarked reserves) is now required and this has been added to the scheme. There are, however, additional financial pressures and risks of up to £6m, which the project team are working with the contractor to reduce and mitigate. Cost pressures have arisen due to archaeological work being required, substantial ground soft spots, and adverse weather conditions leading to flooding along the new construction.
- Transport Asset Management (£29m). Removal of estimated future Network North grant funding. In October 2023, the then Prime Minister announced significant levels of new grant funding for 2023/24 and 2024/25, and indicative amounts for future years as part of an 11-year local road resurfacing and wider maintenance programme on the local highway network, which in total could be up to £130m over the 11-year period. A total of £29m was included in the capital programme between 2025/26 and 2027/28. However, this funding is now uncertain and is under review by the new government. An update is expected in the Chancellor’s Budget at the end of October. Given the increasing uncertainty it is prudent to remove the future year estimates and reassess the position post the Budget update as part of the MTFS refresh for 2025-29.

Chief Executive’s

81. No significant changes.

Corporate Resources

82. Reduction of £0.4m on the Ways of Working, Office Infrastructure programme. Final spend on the programme is less than originally budgeted and can now be released. Other minor reprofiling of spend across other schemes.

Corporate

83. The programme has been increased by £6.4m. The main changes are:

Corporate

- Capital Programme Portfolio Risk, £6.4m. Additional funding added to the portfolio from the forecast 2024/25 MTFS revenue outturn. Increasing financial risks through rising construction costs and uncertainties of future government grant funding.

Investing in Leicestershire Programme (IiLP)

- Airfield Business Park – major scheme to build new industrial units. Updated profile of spend following procurement resulting in £8m being reprogrammed to 2025/26, no change in the overall forecast scheme cost.
- Lutterworth East Sustainable Development Area – reduction in scheme costs of £1m following the Council's latest proposals to develop the site, approved by the Cabinet in June 2024. The funding released has been returned to the New Investments programme within the IiLP (part of the original £260m target of IilP investments).
- Quorn Solar Farm. This project was reassessed earlier in 2024 and was removed from the capital programme in Period 2. An allocation of £0.25m has been set aside for works to secure the planning permission. Further details are provided in the IilP update later in this report.

<u>Corporate Funding</u>

84. Additional funding of £20.4m has been added to the capital programme during the summer refresh. This includes the £11.6m MMDR contingency from earmarked reserves, £6.4m from the forecast MTFS 2024-25 underspend and £2m released from a review of earmarked reserves.

<u>Capital Receipts</u>

85. The estimated value and timing of capital receipts over the MTFS period has also been reviewed. Overall, there is a relatively small increase of £0.1m over the four-year period. £12m has been reprofiled from 2024/25, mostly to 2025/26, relating to the latest estimates of when capital sales will take place. This is mainly due to the latest profile of the sale of a farm in Melton - the estimated receipt is still expected in full but will now be phased in 2025/26 and 2026/27. Due to the rephasing of schemes across the wider capital programme this position can be managed.

<u>Borrowing Required</u>

86. Overall, the net funding required for the programme has decreased by £6m following the review of the capital programme. This has reduced the overall amount of borrowing required to fund the capital programme to £87m (from £93m) in the original approved 2024-28 MTFS and will generate a new ongoing revenue saving of £0.35m per annum all other things being equal.

87. The additional funding has been released from a review of earmarked reserves over the summer (£2m), and an updated profile of the repayment of section 106 developer contributions previously forward funded corporately by the Council now expected to be

received earlier than planned (£2.7m), reductions in funding required to some schemes and other minor changes.

88. The revised programme has also postponed when internal borrowing will first be needed to fund the capital programme, by one year from 2025/26 to 2026/27, and similar updated profiles in later years. This delays the cost of borrowing.

Capital Summary

89. The review of the capital programme has resulted in updates to the capital programme for the latest known funding available and latest estimates of profiled spend. The revised four-year capital programme totals £494m.

90. The overall capital programme borrowing required has decreased by £6m to £87m overall. This will result in a £0.35m ongoing saving in reduced borrowing costs. The revised programme has also postponed when borrowing will be required to later years of the MTFS.

Investing in Leicestershire Programme – Quarter 1, 2024/25 update

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

92. A summary of the IILP position at quarter one for 2024/25 is included within Appendix D and shows forecast income of £8.753m for the year. The budgeted net income for 2024/25 is £8.6m, split between direct core holdings and diversifier investments as split in the table. This budget includes a contribution to the sinking fund of £1.5m in 2024/25. Which at the end of last year (2023/24) totalled £2.6m. The current plan intends to increase the amount held in the sinking fund to £6.7m by the end of 2027/28 assuming no large utilisation is needed.

93. The overall in year forecast net return for the IiLP is 4.7% for 2024/25 when excluding the development assets still in construction and rural portfolio. Including these two asset classes reduced the forecast net income return to 3.0% for the year.

94. County Hall rents are included from 2024/25; the forecasted net income of £0.8m is likely to be £70,000 lower than budgeted owing to delayed commencement of a lease. A valuation of £8.9m has been allocated to the areas of County Hall let to third parties.

95. The diversifiers are indirect holdings with the purpose of reducing overall portfolio risk by investing in differing asset classes and geographies. Four separate types of investment are included: UK pooled property funds, a global infrastructure fund, three vintages of a pooled private (debt) credit strategy and a bank risk share strategy. The aim is to provide diversified income from a variety of differing sources.

96. One of the four pooled property funds within the diversifier's portfolio is in the process of being liquidated after large investors requested redemptions. The liquidation comes at a time when property prices have fallen as interest rates rose through 2022 and 2023. The IiLP programme invested £7.5m in this fund in December 2015 and as at 31 March 2024 had a net asset value of £5.7m, a £1.8m capital loss if all the assets could be sold at the property managers valuation. The estimated loss will need to be funded by a contribution from the IiLP (sinking fund) reserve. To offset some of the impact on the reserve an additional contribution to the reserve of £0.5m has been forecast within the Corporate Resources department revenue outturn for 2024/25, described earlier in the report. It is worth noting that the IiLP fund has had £1.9m in income over the time of the investment and will continue to earn income whilst assets are sold.

97. The IiLP is on target to achieve the budget for 2024/25 with the bank risk share investment within diversifiers having received income in quarter one equivalent to the full year target.

98. No new diversifiers were committed to last year although Partners' MAC 7 (private debt) has called capital totalling £5.6m through 2023/24 and has uncalled commitments which are likely to be called through 2024/25. The diversifiers' forecasted net income for this year is £3.1m which is £0.2m ahead of the budget. There is a combination of variances with pooled property lower than budget due to faster redemption of capital which is offset by higher than budgeted income from the bank risk share investment and private debt and infrastructure investments. These forecasts are based on current conditions which could change as the year progresses.

99. The Quorn solar project has now been withdrawn and as such forecast income from 2026/27 has been removed and will be replaced by other projects. It is intended that the site will now be marketed for sale or lease with the planning permission to build a solar farm to a purchaser. The decision to sell or lease the site to a prospective buyer is primarily based on the technical knowledge and experience required to build a solar farm in the timescale as determined by the grid connection the County Council has procured. A report will be bought to Cabinet in due course with further information.

100. An independent review of the Fund was undertaken by Hymans Robertson in December 2023. The report recognizes the challenges faced by the property market resulting from higher interest rates and inflation over the past two years and acknowledged the challenges facing the market and the IiLP. The report made a number of recommendations including setting ranges / limits on exposure to individual assets, tenants, property sectors and asset classes in order to guide the development of the portfolio. It also recommended the IiLP explore opportunities to dispose of selected properties, partly to adjust property sector allocations but also to recycle funds into developments. The proposals are due to be discussed at the next IiLP Board meeting in September. Any changes will be reported in future MTFS reports to the Cabinet.

MTFS REFRESH 2025 - 2029

National Position

101. With the recent change of Government, there is an even greater level of uncertainty than usual. Whilst there have been some commitments to multiyear rolling settlements for local government, specific information about funding levels is limited at this stage. The budget announcement planned for the 30 October should provide more details.

102. In terms of what the Council does know, the new Chancellor of the Exchequer initiated a Treasury spending audit in July entitled "Fixing the foundations" https://assets.publishing.service.gov.uk/media/66ab7c2fce1fd0da7b59319a/E03171937_-_Fixing_the_foundations_-_public_spending_audit_2024-24_-_Web_Accessible_v2.pdf

103. Headlines from this document were an apparent "£22 billion of unfunded pledges inherited from the previous Government this year". The Chancellor has taken "difficult decisions" to find £5.5 billion of savings in 2024/25 and £8.1 billion next year.

104. The table below, taken from the above document, shows how it is expected that these savings will be delivered. The removal of automatic rights to Winter Fuel Payments and ending the Rwanda migration partnership are between them estimated to save £3bn. Another £3bn is expected to come from savings in central government departments' expenditure limits. It is not known if or how any of these savings will impact on local government. Also of note is the postponement of the introduction of the adult social care funding reforms.

Table 2: Immediate savings (£ millions)

Department	Savings	2024-25	2025-26
All	Savings in departments to fund pay pressures[1]	-3,150	-3,150
	of which: reduce administration budgets by 2%	*-225*	*-225*
	of which: stop all non-essential spending on communications	*-50*	*-50*
	of which: stop all non-essential spending on consultancy in 2024-25 and halve spending on consultancy from 2025-26	*-550*	*-680*
DWP	Target Winter Fuel Payments at recipients of Pension Credit and certain other means-tested benefits from winter 2024-25[2]	-1,400	-1,500
HO	End the Rwanda migration partnership and remove retrospection of the Illegal Migration Act	-800	-1,400
MHCLG	Cancel the Investment Opportunity Fund and other small projects	-70	-50
DHSC[3]	Do not proceed with adult social care charging reforms	-30	-1,075
DfT	Review the transport infrastructure portfolio, cancel A303 Stonehenge tunnel and the A27 schemes, and end the Restoring Your Railways programme	0	-785
DfE	Cancel the Advanced British Standard	0	-185
	Total[4]	**-5,455**	**-8,145**
HMT	*Memo: NatWest retail offer*[5]	*-100 to -450*	

[1] 2024-25 savings assumed to be maintained in cash terms in 2025-26. 2025-26 budgets will be subject to Spending Review decisions.
[2] Winter Fuel Payments are classified as Annual Managed Expenditure (AME). Estimated savings sensitive to forecast take up of Pension Credit. Final savings will be certified by the OBR at the Budget taking account of any behavioural response.
[3] In addition, the government is reviewing the New Hospital Programme. Savings from this programme will be subject to this review.
[4] Totals may not sum due to rounding. Excludes savings from NatWest retail offer.
[5] Costs associated with a NatWest retail offer are not included in current forecast. This figure reflects the avoidance of a future loss of income from share sales should a retail offer take place. It assumes a retail offer of £1bn – £3bn in size, with a package of incentives for retail investors that equates to a discount to market price of between 10-15%. It does not take account of any other potential costs involved in such an offer or any discounts associated with potential institutional sales. For these purposes the offer is assumed to take place in and costs apportioned to 2024-25.

105. Going forward there will be an increased role for the Office of Budget Responsibility in overseeing Government spending plans. Also an Office for Value for Money is to be established to identify areas where Government spending can be stopped or reduced. A COVID corruption commissioner is to be appointed in order to identify and seek to recover funds claimed fraudulently during the pandemic.

106. The Autumn Budget itself will be based on “a set of non-negotiable fiscal rules…. alongside further difficult decisions on tax and spending”: The rules are:
   - Treat taxpayers’ money with respect;
   - No increases to National Insurance, the basic, higher, or additional rates of Income Tax, or VAT for the duration of this parliament;

- Fiscal rules to be met (move current budget into balance and reduce debt by the end of the forecast period).

107. The Chancellor also announced that a multi-year Spending Review would be launched at the October budget to set 2025/26 budgets and would conclude in spring 2025.

108. If public sector spending has to be reduced it is very likely that some areas such as the NHS and Schools will be protected, while others including local government are not. The Autumn Budget should provide some further clarity on the general position for local government as a whole but the position for the County Council will only be known when the Provisional Settlement is announced in December.

109. In the most recent meeting of the Monetary Policy Committee in August 2024 the base rate was reduced from 5.25% (a level it has been at for a year) to 5%. Whilst this has been driven by much lower recent rates of inflation, the Bank of England was keen to emphasise that inflation was not yet fully under control and as such rates will not see significant further reductions in the immediate future.

110. CPI inflation is currently at 2.2% and is expected to rise to around 2.75% by the year end and then to reduce again towards the 2% target.

111. Annual growth in employees' average earnings stands at 5.4%. Public sector pay review bodies are reported to be likely to recommend pay awards of 5.5% for teachers and some NHS workers. The current Local Government pay award offer is below these levels for all but Grades 2 to 5. There is an increased risk that the pay award estimates in the Council's current MTFS may not be sufficient.

112. UK GDP suffered a short-lived recession in the second half of 2023 but has shown growth of 0.7% in the first quarter of 2024 and 0.6% in the second quarter. GDP growth is ahead of the average of forecasts of 0.9% for 2024 and forecasts for 2025 show an average of 1.3%, with a range from 0.4% to 2.0%.

113. The UK unemployment rate has reduced in the latest quarter. The unemployment rate was estimated at 4.2%, 0.2% lower than the previous quarter but 0.2% above pre Covid-19 levels. The unemployment rate had generally been falling from late 2013 until the start of the pandemic. Thereafter it increased until the end of 2020 but had returned to pre-pandemic rates. Unemployment rates by region show the East Midlands to be at 5.2%, higher than the national average of 4.2%.

114. Rising wages and continued relatively low unemployment levels will to some extent boost tax revenues although the ongoing higher level interest rates will increase the costs of servicing the national debt.

115. The previous Government allowed 19 councils facing budgeting difficulties in 2024/25 to capitalise amounts of revenue expenditure: Birmingham, Bradford, Cheshire East, Croydon, Cumberland, Eastbourne, Havering, Medway, Middlesborough, North Northamptonshire, Nottingham, Plymouth, Slough, Somerset, Southampton, Stoke-on-Trent, Thurrock, West Northamptonshire and Woking.

116. Six of these councils are involved in statutory interventions by Government-appointed Commissioners: Birmingham, Croydon, Nottingham, Slough, Thurrock and Woking.

Leicestershire Position

117. 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 with last year's MTFS, this will be done with greater urgency in the context of the serious financial position the County Council is facing, with a significant funding gap in 2025/26 (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, e.g. SEND, as well as the Council's core income levels.

118. 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

119. An offer has been made on the national employers' side of a pay award which is a fixed increase of £1,290 up to Grade 13 (equating to a range from 5.77% to 2.54%), and then 2.5% for Grades 14 and above. At this stage one Union has accepted the offer but the other two are launching formal ballots for industrial action, which will close in the middle of October. The national employers have responded to say that the offer is full and final.

120. The overall impact on the pay bill is estimated at around 3.9%. This will reduce the cost of the pay award compared with what was budgeted for, which will continue through the life of the MTFS. The current assumptions included regarding pay increases in 2025/26 and later years are for average increases of 3%. Each 1% equates to around £2m. As noted above, there is a risk that the current MTFS provision may not be sufficient but this will be modelled as part of the MTFS refresh.

National Living Wage

121. The National Living Wage (NLW) 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. The provision made within the corporate inflation contingency for the increased costs in 2024/25 was above the actual requirement, largely because the Adult Social Care fee review was lower than originally estimated due to falling inflation in early 2024. Significant provision was made for the 2025/26 to 2027/28 period, which will be reviewed as part of the preparation of the 2025-29 MTFS during the autumn. An announcement of the NLW for the next financial year is usually made alongside the Autumn Budget. The Government takes into consideration the recommendations of the Low Pay Commission, who are anticipating that the NLW from April 2025 will be between £11.61 and £12.18, with a central estimate of £11.89, compared with the April 2024 figure of £11.44.

Running costs

122. The current MTFS allowed for running cost inflation of 4.5% for 2024/25 and 3% for 2025/26 onwards. The inflation assumptions reflect the impact of time lags, so the 4.5% used for 2024/25 reflects the relatively high inflation levels experienced in 2023/24. At present the assumption for 2024/25 is anticipated to be generally adequate but there are a number of significant inflation items which are still to be resolved over the coming months, and any amounts in excess of the provision made in the current MTFS will impact on the position for the new 2025-29 MTFS.

Adult Social Care Reform

123. The current MTFS included provision for the potential impact of ASC Reform. As part of the Autumn Statement in November 2022, the Government announced that the reforms will be delayed by two years to October 2025. In July 2024, the new Government announced that it will not proceed with the reforms. However, it is not clear if there will be anything new that will replace them.

Special Education Needs and Disabilities

124. The underfunding of 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 £65m by the end of the current financial year and grow to £111m by the end of the MTFS. Predictions going forwards are uncertain, the latest forecast for 2024/25 shows a worsening position. The policy of the new Labour government in relation to SEND reform and DSG deficits is unclear.

Services Demand

125. The existing pressures within the MTFS are continuing: this could require increases in growth and adverse in year budget variations for SEND, children's social care, and UASC services. When the MTFS is refreshed and extended for a year, 2028/29 in this case, the new year adds between £25m and £30m to the financial deficit.

Mitigations

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

Council Tax	Permitted increase without a referendum is increased. The 2024-28 MTFS assumed maximum increases of 4.99% in 2025/26 and 2.99% in 2026/27 and 2027/28. The limit for 2025/26 will be confirmed as part of the 2025/26 Settlement due in December. A 1% increase in council tax precept would generate c.£4.0m for each year permitted. However, given

	recent lower levels of inflation there is unlikely to be any further room in the future.
Council Tax Collection funds net surplus	2025/26 currently includes a net £0.5m forecast. Latest forecasts show that a net surplus of £1.5m from 2024/25 will be available.
Business rate reset	Provision of £5m built in against the Government resetting the business rates baselines in 25/26, and a balance of £5m in 26/27. Very likely to be delayed beyond 25/26, with a £5m benefit to the overall budget (Figure will be reviewed in new MTFS and likely to increase due to higher than anticipated growth in business rates.)
Fair Funding Review	The review implementation date has been postponed several times and the policy of the new government in relation to funding reform is unclear. The County Council formed the F20 group that promoted a temporary solution for the worst funded councils, but the previous government did not progress it.
Business Rates (BR) Pool surpluses	The current MTFS does not include any forecasts for County Council shares from the BR Pool. The latest forecast for 24/25 is c£7.7m. If the Government undertakes a BR Reset exercise the BR Pool levy will be reset to around £0m.
Additional interest on cash balances	Upward movement on interest rates leads to greater returns on treasury management activity
Adult Social Care Grants	The 2024/25 budget includes additional Government funding for ASC. The MTFS assumes it was one off but there could the possibility that this may continue.

127. 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, despite reducing pressures from inflation and Adult Social Care, the medium to long term financial position remains dire and an initial estimate of the challenge is that the current MTFS projected gap of £83m will rise above £100m. Whilst this forecast 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.

128. Facing a 2025/26 MTFS gap of £33m - which assumes currently programmed savings of £21m will be delivered, is concerning. And whilst there are some reductions in Adult Social Care demand, the pressures on children's social care services appears to be increasing. Even this challenge pales into insignificance compared to the prospect of a gap exceeding £100m in 4 years' time.

129. To balance the budget the use of reserves or other short-term measures will undoubtedly be adopted by some authorities, as was the case with the County Council's 2024/25 budget, with £6m being required from reserves to balance the budget at that point. 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 and spending pressures are causing. It is vital that all resources are targeted at solving the problem rather than just

delaying tackling it. Options would also need to include a review of the capital programme to cut back on activity in order to release reserves.

130. 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.

131. However, this will be insufficient to address the financial challenges ahead.

132. In order to identify further areas where savings can be made all departments are being asked to present options for how they could further reduce their budgets and accelerate delivery of existing savings under development. Savings will focus on options around cheaper provision, increased income, reduced demand and reviewing budgets where the escalated financial controls have reduced spend to identify if there is scope for longer term savings. However, this will be far from easy given the savings already being targeted and the significant savings delivered in previous years.

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

134. Additional savings and reductions in growth will be brought forward for inclusion in the December Cabinet report. Growth will be subject 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.

135. 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.

136. The updated capital funding gap totals £87m. With interest rates now having increased significantly the annual costs to fund the borrowing have increased and hence the funding gap needs to be reduced.

137. 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 until they can be delivered after inflationary or acute current cost pressures subside mothball schemes.

138. Whilst there will be a strong focus on identifying and driving out further efficiencies, the reality is that after £262m worth of savings having been made over the last 14 years 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.

139. Many Councils are increasingly putting control measures in place to address overspends, the scale of which may depend on the severity of the financial position. In December 2023 the Council introduced a range of escalated financial controls which include:
- Additional approval requirements by Chief Officers for all recruitment
- Reviewing agency and overtime spend by Directorate Management Teams to ensure it is essential for service delivery
- Introduction of a Corporate Procurement Board to review all procurement activity over £100,000, and all exceptions to Contract Procedure Rules.
- Restrictions on non-essential spend, which includes travel, training and stationery.
- Restrictions on the use of consultants and special advisors

140. Given the MTFS position, the controls remain in place but are reviewed regularly. These controls do 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.

141. It should be noted that spending controls do 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.

Planning Framework

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

- The Autumn Budget Statement on 30th October.
- The Provisional Local Government Finance Settlement expected mid/late December.
- The multi-year Spending Review, to conclude in Spring 2025.

143. The broad MTFS timetable is:
- September to November 2024 – refresh growth, savings and capital including consideration by Lead Members.
- 30th October 2024 – National Budget and National Living Wage announcements
- 17th December 2024 – the Cabinet will be asked to approve the draft MTFS for consultation.
- December 2024 – receipt of the Provisional Local Government Finance Settlement
- January 2025 – public consultation on the draft MTFS, including the Overview and Scrutiny Committees and the Scrutiny Commission.
- 7th February 2025 – the Cabinet will be asked to approve the final draft MTFS for submission to the County Council.
- 19th February 2025 – County Council will be requested to approve the MTFS for 2025/26 to 2028/29.

Recommendation

144. The Scrutiny Commission is asked to note the contents of this report.

Circulation under the Local Issues Alert Procedure

None.

Equality and Human Rights Implications

There are no direct implications of this report.

Background Papers

Report to the Cabinet – 24 May 2024– 2023/24 Provisional Revenue and Capital Outturn
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7506&Ver=4

Report to County Council -21 February 2024 – Medium Term Financial Strategy 2024/25 to 2027/28
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=7305&Ver=4

Appendices

Appendix A: Revenue Position as at Period 4, 2024/25
Appendix B: Revenue budget major variances
Appendix C: Revised Capital Programme 2024-28
Appendix D: Investing in Leicestershire Programme – 2024/25 Quarter 1 update
Appendix E: Savings Under Development

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APPENDIX A

REVENUE BUDGET MONITORING STATEMENT 2024/25
(AS AT PERIOD 4)

	Updated Budget	Projected Outturn	Difference from Updated Budget	
	£000	£000	£000	%
Schools Budget				
Schools	73,538	72,978	-560	-0.8
Early Years	63,169	60,719	-2,450	-3.9
DSG Funding	-136,707	-136,707	0	0.0
	0	-3,010	-3,010	
Earmarked reserve - start of year			*-9,167*	
Earmarked reserve - end of year			*-12,177*	
High Needs	107,112	130,562	23,450	21.9
Dedicated Schools Grant (DSG)	-107,112	-107,112	0	0.0
	0	23,450	23,450	
Earmarked reserve - start of year			*41,188*	
Earmarked reserve - end of year			*64,638*	
LA Budget				
Children & Family Services (Other)	120,971	130,041	9,070	7.5
Adults & Communities	239,041	226,301	-12,740	-5.3
Public Health *	-2,606	-2,606	0	0.0
Environment & Transport	107,691	107,891	200	0.2
Chief Executives	16,283	16,313	30	0.2
Corporate Resources	39,465	39,185	-280	-0.7
DSG (Central Dept. recharges)	-2,285	-2,285	0	0.0
MTFS risks contingency	8,970	8,970	0	0.0
Contingency for Inflation/Living Wage	25,537	19,137	-6,400	-25.1
Total Services	553,067	542,947	-10,120	-1.8
Central Items				
Financing of capital	17,400	16,800	-600	-3.4
Bank & other interest	-14,200	-19,200	-5,000	35.2
Central expenditure	2,717	1,537	-1,180	-43.4
Total Central Items	5,917	-863	-6,780	-114.6
Contribution to earmarked reserves	15,000	21,640	6,640	44.3
Additional commitments (capital programme risk contingency)	0	6,363	6,363	n/a
Contribution from budget equalisation reserve to balance 2024/25 revenue budget	-6,377	0	6,377	-100.0
Total Spending	567,607	570,087	2,480	0.4
Funding				
Revenue Support Grant (new burdens)	-29	-29	0	0.0
Business Rates - Top Up	-42,383	-42,383	0	0.0
Business Rates Baseline / retained	-31,490	-32,540	-1,050	3.3
S31 Grants - Business Rates	-17,517	-17,727	-210	1.2
Allocation of Business Rates Pool Levies	-6,500	-7,680	-1,180	n/a
Council Tax Precept	-397,916	-397,916	0	0.0
Council Tax Collection Funds - net surplus	-1,918	-1,918	0	0.0
New Homes Bonus Grant	-1,012	-1,012	0	0.0
Improved Better Care Fund Grant etc.	-14,190	-14,190	0	0.0
Social Care Grant	-43,697	-43,697	0	0.0
Services Grant	-394	-434	-40	10.2
ASC Market Sustainability & Improvement Fund	-10,562	-10,562	0	0.0
Total Funding	-567,607	-570,087	-2,480	0.4
Net Total	0	0	0	

* Public Health funded by Grant (£27.4m)

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APPENDIX B

Revenue Budget 2024/25 – forecast main variances (Period 4)

Children and Family Services

Dedicated Schools Grant

A net overspend of £20.4m is forecast. The main variances are:

	£000	% of Budget
DSG High Needs Block (HNB) earmarked reserve drawdown	**17,025**	**n/a**
The DSG budget in the original MTFS includes an estimated HNB drawdown of £17.0m as the forecast in year overspend.		
Special Educational Needs	**5,200**	**5.0%**
Higher than budgeted numbers of High Needs students in both Independent schools and mainstream schools is resulting in forecast overspend for the year. This is partially offset by vacant places at ASD (autistic spectrum disorder) and SEMH (social emotional and mental health) units.		
Secondary Education Inclusion Partnerships	**480**	**15%**
Secondary Education Inclusion Partnerships are supporting a growing number of secondary students.		
High Needs Dedicated Schools Grant	**470**	**n/a**
The budget includes estimated 24/25 High Needs Grant of £108.456m as published by the DfE in December 2023. This has been updated in July 2024 and includes a reduction in grant value of £471k due to an increase in students placed in provisions outside of Leicestershire as at Spring census date than the same point the previous year		
Specialist Teaching Service	**365**	**15%**
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. This year due to the significant, unfunded pay award, this target is forecast not to be met		
Schools Growth / Budget Allocations	**-445**	**-16%**
This funding has been earmarked to help meet the revenue costs associated with new schools. The underspend will be transferred to the DSG earmarked reserve to fund pupil growth in future years.		
Early Years /Nursery Education Funding	**-2,450**	**-4.0%**
The Early Years budget is showing an overall underspend of £2.5m. The budget is based on the number of hours used to calculate the original 2024/25 Early Years DSG income in December 2023. The forecast hours paid to providers for 2024/25 are £6.3m more than the budget. £1.2m of this is due to there being 39 paid weeks in the financial year April to March, a period covering two academic years. The funding is based on 38 weeks. It is expected that this will balance out in a future year. Payment forecast is also expected to increase by £5.1m due to an increased number of children compared to the budget. This is due to a higher number of 2-year-olds with working parents than originally forecasted by the DFE and a higher number of under 2s now being forecasted by DFE. The DSG grant has been increased to allow for the difference between the Spring 2024 census and the Spring 2023 census. There will be additional DSG income to fund the increase of 2-year-olds with working parents and the additional forecast for under 2-year-olds. The estimated increase to DSG Grant is £5.1m for the 2-year-olds with working parents, £555k for Spring 2024 census, £1.2m for under 2's and £336k relation to prior year adjustment which we are receiving this year. This gives a total increase of £7.3m for the DSG Grant. There is also a planned underspend of £1.1m as part of the payback of previous years' Early Years deficits, and centrally managed budgets are forecast to underspend by £0.4m. The Early Years DSG deficit as at 31 March 2024 was £3.1m. The plan is to clear this deficit over 4 years. The DfE will recalculate the 2024/25 Early Years DSG income to allow for the Summer and Autumn Censuses which will count the additional 2-year-olds and under 2s, entitled to funding as part of the Early Years expansion.		
Education - Medical Grounds	**-60**	**-11%**
This is due to vacant posts in year.		
Other variances	**-145**	**n/a**
TOTAL	**20,440**	**n/a**

Local Authority Budget

The Local authority budget is forecast to overspend by £9.1m (7.5%). The main variances are:

	£000	% of Budget
Children's Social Care Placements	**4,930**	**8%**
Change in demand/numbers in relation to children in residential provision, in comparison to budgeted assumptions is showing a projected significant overspend position for this financial year. The MTFS for this financial year assumes budgeted residential numbers by March 25 to be at 86 children (includes Parent and Child placements). Trend and demand analysis at the time of budget setting looking back from April 21 to Jan 24 would suggest budgeted assumption of net demand of residential numbers growing to 86 by March 25 to be reasonable and reflective of data-driven demand analysis. However, between the period of Jan-24 and now, residential numbers increased rapidly, and the financial impact of this change is significant. Current projection suggest could end financial year with 112 children in either residential or Parent and Child Placements. This represents a 30% increase in projected placements vs budgeted position.		
Unaccompanied Asylum Seeking Children (UASC)	**2,120**	**43%**
The continued increase in UASC in care and care leavers has required a greater resource requirement to meet their needs. The different entry routes include both the National Transfer scheme, as well as spontaneous arrivals, but more recently through the hotel dispersal scheme where requests to accommodate people placed in Asylum Dispersal Hotels in Leicestershire are made, and whilst they have been deemed adults by the Home Office, subsequently claim to be children, and creates an additional pressure for the service to manage which is not fully funded. In addition, delays in asylum claim processes mean that we are often accommodating young people well past 18 and the Home Office funding drops significantly at 18 but the costs do not.		
SEN Service Budget	**1,000**	**39%**
Increased service demand and complexity has resulted in the need for additional service resource to ensure demand can be managed in the most efficient and effective manner. Although some growth funding was approved for 24/25, this was insufficient to meet statutory responsibilities. A heavy reliance on agency workers to undertake Education, Health and Care Plan (EHCP) writing and tribunal work has resulted in a significant forecast overspend in this area. Meanwhile mediation costs remain high, adding to the forecast overspend.		
Educational Psychology Service	**915**	**69%**
Difficulties recruiting into vacancies in this area has resulted in an increased reliance on locums at a significantly higher cost. Increased demand due to an increase in the number of EHCP needs assessments has further impacted the projected overspend position.		
Social Care Children in Need - Section 17/23 support	**370**	**90%**
Increased demand, including for support at home for children with challenging behaviour which is more costly for some children with high needs and 'on the edge of care'.		
Departmental Financial Controls / Vacancy Control Management	**-260**	**n/a**
As a direct response to the projected overspends as described above, CFS's departmental management team have led a review of non statutory services, supported with the recent introduction of corporate-led financial controls, and together with a robust management and review of vacancies within the department, with the output of this work projecting to deliver some one-off in year efficiencies, and budget opportunities, which included delaying recruitment to non-essential posts where appropriate. Further work is being undertaken to explore the feasibility of this work and its scope to deliver on-going future budget efficiencies.		
Other variances	**-5**	**n/a**
TOTAL	**9,070**	**n/a**

Adults & Communities

The Department has a net forecast underspend of £12.7m (5.3%). The main variances are:

	£000	% of Budget
Other Support	**165**	**n/a**
Other support contracts including on for animal care £80k and a floating support contract (£85k) in place from April 24 to June 24 for people in there own homes which is not expected to resume .		

Residential Care and Nursing	**-3,160**	**-3%**
There is a relatively small underspend forecast for residential care. This underspend (£0.8m) reflects a dip in service user numbers in the previous few months compared to the expected level of service user numbers. The forecast is based on 2,439 service users per week costing an average of £1,074 per week. There are also fewer service users in shared lives residential placements creating an underspend (£0.4m). Residential service user income is currently forecasting a significant increase in income this is mainly due to clearing a backlog of financial assessments which has generated an additional (£1.0m) one off income and there is additional of heath income (£1.0m) due to increasing numbers of service users with funding.		
Homecare	**-2,665**	**-5%**
The number of home care service users (SU) and average hours has been falling since the introduction of the Fair Outcomes Panel (FOP) in September 2023. The budget is based on an average of 2,690 SU per week. The forecast has an average 2600 SU per week and an average cost per SU of £345 per week. Invoices from suppliers from 2023/24 have been estimated to be £800k which is in line with previous years.		
Direct Cash Payments	**-2,535**	**-6%**
Underspend due to 11% reduction in service users (SU) offset by a 13% increase in SU package cost. SU numbers have decreased since budget setting and level of new SU have halved, which is likely due to the effects of the Fair Outcomes Panel. Averaging at 1738 SU with an average weekly cost of £474 and Carers averaging at 1251 SU with an average weekly cost of £53. MSIF Grant received towards new SU's with increased Personal Assistant rates. This was implemented in August 2023 but has had a slow start with costs assumed to increase over the year.		
Supported Living	**-1,315**	**-3%**
Estimated to be an increase of approximately 35 service users over the course of the year. Two schemes are coming online with places of 16 and 15 respectively which should be allocated by the end of Sept. Thereafter normal growth in placements would be expected. The forecast is lower than budget as there are less referrals coming via Care Pathway staff into the Pathway to Supported Living team, partly due to the level of vacancies within the Care Pathway but also alternative ways to commission are being pursued from the Fair Outcomes Panel and in Group Supervisory Meetings.		
Community Life Choices (CLC) Commissioned Services (Day Services)	**-910**	**-10%**
Currently service user numbers peaked in October-23 and since then numbers have been decreasing rather than increasing which has been the historical trend. This is likely due to the effects of the Fair Outcomes Panel.		
Home First	**-600**	**-6%**
Underspend relates to approximately 15 FTE staffing vacancies. Recruitment is ongoing to ensure that the new HART delivery model (intake model) is fully staffed.		
Supported Living, Residential and Short Breaks Team	**-435**	**-9%**
Difficulties in recruiting staff in the current social care market across the Short Break sites leading to vacancies. Agency usage has been limited under new financial controls. Operational improvements are in progress and upon completion, a wider action plan at the site will be expected to take place.		
ASC Discharge Grant	**-400**	**n/a**
Additional income for reablement packages from Health element of the Discharge Grant.		
Care Pathway- Heads of Service (Integration, Access and Prevention) & Strategic Service Managers	**-140**	**-2%**
Additional Better Care Fund (BCF) funding for Care Act implementation £30k and £110k underspend on staffing costs.		
Care Pathway -Mental Health & Safeguarding (MH&S)	**-140**	**-7%**
Various staffing and other minor underspends due to vacant posts across which are in the process of being recruited to.		
Other variances (under £100k)	**-605**	**n/a**
TOTAL	**-12,740**	**n/a**

Public Health

The Department has a projected balanced position, with no significant variances (above £50k).

Environment and Transport

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

	£000	% of Budget
Mainstream School Transport	**1,040**	**25%**
Increase in overall number of students entitled to mainstream school transport and a rise in the number of routes. Bus operational costs have also increased resulting in higher contract costs, which combined with limited bus capacity, has resulted in a greater number of pupils being transported by taxi. Furthermore, additional costs are expected following DfE statutory change to Mainstream home to school transport policy, which becomes effective from September 2024.		
Reactive Maintenance	**1,025**	**43%**
Overspend in reactive repairs to meet demands, network deterioration and comply with policy.		
SEN Transport	**705**	**3%**
Based on 2023/24 outturn position until the new transport management system figures are robustly tested, including £674k overspend. Also includes additional anticipated growth of £118k for 2024/25 that was not included in original MTFS growth bid. Overspend reduced by £95k due to contract savings expected to arise from contract		
Street Lighting Maintenance	**110**	**3%**
Overspend due to street lighting maintenance structural programme adding pressure to remaining areas of the budget which is partly offset by street lighting energy dimming savings.		
Dry Recycling	**-600**	**-23%**
Mainly due to higher dry recycling materials income, prices higher than expected.		
Social Care Transport	**-385**	**-6%**
Forecast outturn based on 2023/24 outturn position until the new transport management system is robustly tested. Expected growth figure in 2024/25 reduced by £136k to reflect new expectations. Underspend figure includes £250k ongoing contract savings achieved in 2023/24.		
Staffing , Admin & Depot Overheads	**-365**	**-32%**
Underspend due to increased Highways Network Management income and staffing vacancies which is partly offset by a shortfall in capital recharge income.		
Highways & Transport - Staffing & Admin	**-310**	**-10%**
Underspend due to vacancies across the service area.		
Highways & Transport Network -Staffing & Admin	**-280**	**-18%**
Underspend due to vacancies across the service area.		
Passenger Fleet	**-245**	**-122%**
Overall underspend on passenger fleet due to vacant driver and escort posts, net of additional vehicle hire and maintenance costs.		
Road Safety	**-150**	**-32%**
Forecast underspend due to School Crossing Patrol vacancies in the service area.		
Staffing & Admin Delivery	**-125**	**-4%**
Underspend due to vacancies across the service area.		
Other variances (under £100k)	**-220**	**n/a**
TOTAL	**200**	**n/a**

Chief Executive's

The Department is forecasting a minor net overspend of £30k (0.2%). The main variances are:

	£000	% of Budget
Planning Services	**155**	**23%**
Variance due to the continuing reduced planning fee income.		
Departmental Items	**150**	**n/a**
Departmental-wide saving for staffing vacancy held in this budget. Overspend here is offset by underspends elsewhere in the department.		
Growth Service	**-230**	**-19%**
Underspend due to forecast staffing vacancies.		
Registrars	**-80**	**n/a**
Variance due to reduced staffing costs (-£42k) and extra income (-£38k).		
Democratic Services and Administration	**-60**	**-4%**

Variance due to staffing vacancies.		
Other variances (under £50k)	**95**	**n/a**
TOTAL	**30**	**n/a**

Corporate Resources

The Department has a net forecast underspend of £0.3m (0.7%). The main variances are:

	£000	% of Budget
Corporate Resources Schemes	**500**	**n/a**
This £500k contribution will help offset a forecast loss of £1.8m that will be funded from the sinking fund relating to the divestment of certain Pooled Property investments.		
ICT	**-325**	**-3%**
The underspend mainly relates to vacancies within the different teams (£697k), offset by spend on consultants and specialists £76k. Overspend forecasts for Software Licences £176k, Hardware £108k and other IT services £79k. Additional income for Project and Visio usage (£67k) across the organisation.		
Audit & Insurance	**-90**	**-4%**
Additional Audit income as City audit contract extended by 2 months plus increased income from recharges.		
Operational Property	**-75**	**-3%**
Staffing vacancies across several Operational Property Teams.		
Learning and Development	**-75**	**-5%**
Underspend forecast on training budgets, this will continue to be reviewed as part of financial controls.		
Other variances	**-215**	**n/a**
TOTAL	**-280**	**n/a**

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APPENDIX C

CHILDREN & FAMILY SERVICES - CAPITAL PROGRAMME 2024-28

Estimated Completion Date	Gross Cost of Project £000		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
		MAIN GRANT FUNDED PROGRAMME					
Mar-28	78,568	**Provision of Additional School Places**	**30,108**	**41,604**	**6,312**	**545**	**78,568**
		SEND Programme					
Mar-27	27,069	Expansion of Special Schools	6,611	10,458	10,000	0	27,069
		Sub-total - SEND Programme	**6,611**	**10,458**	**10,000**	**0**	**27,069**
Mar-28	10,091	Strategic Capital Maintenance	4,091	2,000	2,000	2,000	10,091
Mar-28	2,013	Schools Devolved Formula Capital	513	500	500	500	2,013
Mar-28	1,698	Schools Access / Security	798	300	300	300	1,698
Mar-25	1,575	Childrens SCIP	1,575	0	0	0	1,575
Mar-26	1,178	Childcare Expansion Programme	378	800	0	0	1,178
Mar-27	483	Music Hub Equipment	145	290	48	0	483
		Other Capital	**7,500**	**3,890**	**2,848**	**2,800**	**17,038**
		Overall Total	**44,219**	**55,952**	**19,160**	**3,345**	**122,675**
		Future Developments - subject to further detail and approved business cases					
		Additional School Infrastructure arising from Housing Developments					

ADULTS & COMMUNITIES - CAPITAL PROGRAMME 2024-28

Estimated Completion Date	Gross Cost of Project £000		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Mar-28	19,404	Disabled Facilities Grant (DFG)	4,851	4,851	4,851	4,851	19,404
Aug-24	68	Wigston Library Refurbishment	68				68
			4,919	**4,851**	**4,851**	**4,851**	**19,472**
		Social Care Investment Plan (SCIP):					
Mar-28	10,000	SCIP - Additional Schemes	1,500	1,000	629	629	3,758
		Sub-Total SCIP	**1,500**	**1,000**	**629**	**629**	**3,758**
		Total A&C	**6,419**	**5,851**	**5,480**	**5,480**	**23,230**
		Future Developments - subject to further detail and approved business cases					
		Archives, Collections and Learning (ACL) Centre					
		Adult Accommodation Strategy (Social Care Investment Plan)					

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2024-28

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
		Major Schemes					
Mar-26	127,700	Melton Distributor Road - North and East Sections	50,570	27,406	0	0	77,976
Apr-27	19,925	Zouch Bridge Replacement	5,270	8,175	3,675	76	17,196
Mar-28	9,242	Advance Design / Match Funding	2,300	2,716	2,348	1,877	9,242
Mar-28	4,129	Leicestershire Cycling Walking Improvements Plan Delivery	352	1,404	854	467	3,077
Mar-26	9,239	A511/A50 Major Road Network - Full business case	2,341	588	0	0	2,930
Mar-25	1,958	Pan regional transport model (PRTM)	547	0	0	0	547
Mar-25	222	Local Electric Vehicle Infrastructure (LEVI) pilot	222	0	0	0	222
Mar-26	1,881	The Parade Oadby Cyclops	117	1,764	0	0	1,881
Sep-24	26,250	M1 Junction 23 / A512 Improvements	161	0	0	0	161
Sep-24	10,150	Anstey Lane A46	33	0	0	0	33
Sep-24	10	A42 Junction 13 Strategic Economic plan	10	0	0	0	10
			61,922	**42,054**	**6,877**	**2,420**	**113,273**
		Minor Schemes / Other					
Mar-28	15,790	County Council Vehicle Replacement Programme	4,850	4,394	3,110	3,436	15,790
Mar-25	54	Fleet Services Workshop Oil Distribution System	54	0	0	0	54
Mar-25	185	Cycleway and footpath improvements	185	0	0	0	185
Mar-27	1,400	Property Flood Risk Alleviation	899	498	0	0	1,397
Mar-25	5,000	Hinckley Hub (Hawley Road) - National Productivity Investment Fund	359	0	0	0	359
Mar-25	438	Spa Lane Junction improvements - NPIF	438	0	0	0	438
Mar-28	2,264	Safety Schemes	740	543	538	207	2,028
Mar-27	1,440	Externally Funded Schemes	1,078	269	93	0	1,440
Mar-27	9,623	Melton Depot - Replacement	574	2,080	6,968	0	9,623
Mar-28	400	Plant renewals	100	100	100	100	400
Mar-27	613	Highways Depot Improvements - subject to business case	122	0	491	0	613
			9,399	**7,884**	**11,300**	**3,743**	**32,326**
		Transport Asset Management					
Mar-25	284	Network North funding to be allocated (25/26 subject to grant confirmation)	284	0	0	0	284
Mar-28	9,430	Capital Schemes and Design	3,408	2,168	2,177	1,677	9,430
Mar-28	2,123	Bridges	865	407	463	388	2,123
Mar-28	813	Highways Flood alleviation	409	123	141	141	813
Mar-28	3,537	Street Lighting	1,106	835	835	760	3,537
Mar-28	1,727	Traffic Signal Renewal	885	281	281	281	1,727
Mar-28	9,019	Preventative Maintenance - (Surface Dressing)	3,283	1,912	1,912	1,912	9,019
Mar-28	33,957	Restorative (Patching)	10,891	8,073	7,977	7,016	33,957
Mar-28	67	Public rights of way maintenance	19	15	17	17	67
Mar-28	495	Network Performance & Reliability	303	61	65	65	495
			21,453	**13,875**	**13,867**	**12,256**	**61,450**
		Environment & Waste					
Mar-28	2,071	Recycling Household Waste Sites - General Improvements	701	973	147	250	2,071
Mar-25	233	Recycling Household Waste Sites - Lighting	233	0	0	0	233
Mar-27	350	Recycling Household Waste Sites - S.106 funded schemes	197	60	93	0	350
Mar-25	325	RHWS - Waste Transfer Station	325	0	0	0	325
Mar-25	255	RHWS - Weighbridge	255	0	0	0	255
Mar-25	421	Ashby Canal - Reed bed	421	0	0	0	421
Mar-28	170	Ashby Canal - General Improvements	59	37	37	37	170
Mar-25	174	Ashby Cabal - Badger Activity Mitigation	174	0	0	0	174
Mar-25	11	Ashby Canal - Snarestone Wharf	11	0	0	0	11
			2,375	**1,070**	**277**	**287**	**4,009**
		Total E&T	**95,149**	**64,883**	**32,321**	**18,706**	**211,059**

	E&T	**Future Developments - subject to further detail and approved business cases** New Melton RHWS Additional bid development/match funding Compaction equipment Green vehicle fleet (update/ strategy needed) Highways Depot Maintenance DIY Waste Equipment					

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2024-28

Estimated Completion Date	Gross Cost of Project £000		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Mar-27	200	Legal - Case Management System - subject to business case	0	100	100		200
		Total Chief Executives	**0**	**100**	**100**	**0**	**200**

	Future Developments - subject to further detail and approved business cases Trading Standards - Database replacement Legal - Commons and Village Green Register					

CORPORATE RESOURCES - CAPITAL PROGRAMME 2024-28

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
		ICT					
Mar-28	240	Replace End of Life Marval Service Management Solution	0	0	0	240	240
Mar-26	79	Solaris Hardware Refresh	30	30	0	0	60
Mar-28	903	Network Equipment - Cisco replacement	0	100	0	600	700
Mar-28	100	Remote Access Refresh	0	35	0	41	76
Mar-28	5,214	Workplace Strategy - End User Device (PC, laptop)	1,000	1,775	1,530	909	5,214
Mar-28	1,700	Hyper-Converged Infrastructure (HCI) Refresh	480	350	120	581	1,531
Mar-25	145	Corporate ICT Programme	10	0	0	0	10
Mar-25	170	CSC Telephony Replacement	18	0	0	0	18
Mar-28	1,028	Backup System Replacement	28	0	0	1,000	1,028
Mar-26	50	Replace end of life SRS Meeting room tech	0	50	0	0	50
Mar-27	131	Replace end of life wireless controllers	31	30	70	0	131
		Sub total ICT	**1,597**	**2,370**	**1,720**	**3,371**	**9,058**
		Transformation - Ways of Working					
Mar-26	1,995	Workplace Strategy - Property	317	434	0	0	751
Mar-25	1,231	Workplace Strategy - Office Infrastructure	771	0	0	0	771
		Sub total Transformation	**1,088**	**434**	**0**	**0**	**1,522**
		Property Services and Country Parks					
Mar-25	110	Data Centre UPS replacement	110	0	0	0	110
Mar-25	85	Bassett Centre window replacement	85	0	0	0	85
Mar-25	100	Snibston Scheduled Ancient Monument	100	0	0	0	100
Mar-25	85	Romulus Court - IT environmental monitoring (subject to approach review)	62	0	0	0	62
Mar-25	160	Library Replacement windows	83	0	0	0	83
Mar-25	75	County Hall - MUGA resurfacing	75	0	0	0	75
Mar-25	55	Watermead Park Improvements	55	0	0	0	55
Mar-25	27	Bosworth Country Park - Car Park resurface	27	0	0	0	27
Mar-25	63	Bosworth Battlefield ANPR	63	0	0	0	63
Mar-25	110	Tree Planting Programme	67	0	0	0	67
Mar-25	132	Tree Nursery	132	0	0	0	132
Mar-25	50	Watermead Pay Station	50	0	0	0	50
		Sub total Property Services	**909**	**0**	**0**	**0**	**909**
		Climate Change - Environmental Improvements					
Mar-25	375	Electric Vehicle Car Charge Points	231	0	0	0	231
Mar-27	603	Energy initiatives	200	100	100	0	400
Mar-25	137	Minimum Energy Efficiency Standards	137	0	0	0	137
Mar-25	1,260	Energy & Water Strategy - Invest to save	64	0	0	0	64
Mar-25	145	Snibston E V Chargers & Solar Car Port	75	0	0	0	75
		Sub total Energy	**707**	**100**	**100**	**0**	**907**
		Total Corporate Resources	**4,301**	**2,904**	**1,820**	**3,371**	**12,396**

		Future Developments - subject to further detail and approved business cases					
		Major System Replacements, IAS, Mosaic, Capita One, STADS, PAMS, s106 system					
		ICT Future Development - continual refresh of infrastructure					
		Strategic Property Future Developments					
		Snibston Ancient Monument - (SAM)					
		Country Parks Future Developments, including cafes, play areas and car parking					
		Green energy and insulation initiatives					

CORPORATE - CAPITAL PROGRAMME 2024-28

APPENDIX C

Estimated Completion Date	Gross Cost of Project £000		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
		Investing In Leicestershire Programme (IILP)					
Mar-28	1,400	County Farms Estate - General Improvements	350	450	300	300	1,400
Mar-28	1,600	Industrial Properties Estate - General Improvements	350	550	350	350	1,600
Sep-25	16,436	Airfield Business Park - Phase 3-4	8,008	8,000	0	0	16,008
Mar-25	250	Quorn Solar Farm	250	0	0	0	250
Mar-27	926	M69 Junction 2 - SDA	431	283	50	0	764
Mar-25	2,999	Lutterworth Leaders Farm - Drive Thru Restaurants	2,787	0	0	0	2,787
Mar-25	42,981	Lutterworth East - Sustainable Development Area (SDA)	3,831	0	0	0	3,831
Mar-25	67	Embankment House - Land Development	67	0	0	0	67
Mar-28	35,523	New Investments - subject to Business Case	0	4,500	10,000	22,023	36,523
		Sub total IILP	**16,074**	**13,783**	**10,700**	**22,673**	**63,230**
		Future Developments					0
Mar-28	39,950	Future service projects - subject to business cases	0	4,950	10,000	25,000	39,950
Mar-28	21,400	Capital Programme Portfolio Risk	0	5,000	5,000	11,400	21,400
		Sub total Future Developments	**0**	**9,950**	**15,000**	**36,400**	**61,350**
		Total Corporate Programme	**16,074**	**23,733**	**25,700**	**59,073**	**124,580**
		Future Developments - subject to further detail and approved business cases					
		Sustainability / Invest to Save Schemes					

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Investing in Leicestershire Programme – 2024/25 Q1 Update

APPENDIX D

Asset Class	Opening Capital Value [1]	Capital Incurred (returned) 2024/25	Change in valuation	Q1 24/25 Capital valuation[2]	Net income YTD	Budget Net Income FY	Forecast Net Income FY	Variance to Budgeted Net Income	In year forecast net income return % [3]	Since Inception IRR [4]
	£000	£000	£k	£k	£000	£k	£000	£k	%	%
Direct Commercial Holdings										
Development	37,966	0	0	37,966	-65	-106	-106	0	-0.3%	
Rural	84,410	0	0	84,410	14	266	266	0	0.3%	
County Hall rents	8,878	0	0	8,878	210	839	769	-70	8.7%	
Office	53,443	0	0	53,443	648	3,048	3,048	0	5.7%	
Industrial	25,833	0	0	25,833	467	1,489	1,489	0	5.8%	
Other	4,727	0	0	4,727	32	228	228	0	4.8%	
Direct Holdings	**215,257**	**0**	**0**	**215,257**	**1,306**	**5,763**	**5,693**	**-70**	**2.6%**	
Diversifier Holdings										
Pooled Property	20,728	-2,503	-69	18,156	167	563	483	-80	2.5%	1.7%
Private debt MAC 4 2017	4,538	-837	218	3,919	18				0.0%	4.9%
Private Debt MAC 6 2021	20,559	-3,532	-413	16,614	617				0.0%	7.5%
Private Debt MAC 7 2023	5,661	0	158	5,819	0				n/a	too early
Private Debt	30,758	-4,369	-37	26,352	635	820	920	100	3.2%	5.9%
Pooled Infra Fund	8,706	0	-45	8,661	113	284	334	50	3.9%	2.7%
Pooled Bank Risk Share	16,801	0	-987	15,815	1,320	1,172	1,322	150	8.1%	13.7%
Diversifiers total	**76,993**	**-6,872**	**-1,137**	**68,984**	**2,235**	**2,840**	**3,060**	**220**	**4.2%**	
TOTAL (All IiLP)	**292,249**	**-6,872**	**-1,137**	**284,241**	**3,542**	**8,603**	**8,753**	**150**	**3.0%**	
TOTAL exc development & rural	**169,873**	**-6,872**	**-1,137**	**152,987**	**3,383**	**7,605**	**7,825**	**220**	**4.7%**	

Notes
1. Opening valuations based on market valuations not historic cost
2. Direct property is valued annually at year end
3. IRRs for diversifier investments, private debt and pooled property are the combination of all underlying investments in the relevant asset class.
4. In year forecast net income return % is based on the opening capital value and in year net capital and valuation changes.

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APPENDIX E

SAVINGS UNDER DEVELOPMENT

Initiative title	RAG
Children and Family Services	
Staff Dynamic Demand Modelling Tool to support better alignment of staff capacity versus need	A
Review of Non-Statutory Services across the department	A
Children's Social Care Placements - Maximise Funding Contributions from partners to align with support needs of child placed.	A
Transforming SEND and Inclusion in Leicestershire - Continuous Improvement & Exploration of further opportunities	A
Adults and Communities	
Improved Pathway to Adulthood, a cross departmental review of the journey from childhood to adulthood (Total saving includes all department's in review).	G
Review of Community Life Choices (Day services) by looking at the services being offered and delivered.	A
Review in-house supported living and short breaks provision by maximising occupancy and how services are delivered.	A
Review of processes for Adult Mental Health Professionals (AMHP) by working with partners on improving the delivery of the 24 hour service.	G
Review of 1:1 support in residential care and supported living by looking at alternative approaches to delivering the services.	G
Increasing Income from Health by ensuring appropriate health funding is enabled and utilising a specialist assessment team.	A
Review of Lightbulb Service contribution and business case with partners to improve efficiency.	A
Review of Fees & Charges for a range of services across the department to ensure costs are appropriately being recovered.	A
Review of Direct Payments processes to improve efficiency across teams and robustness of assessments.	A
Improve efficiency of financial assessments process across teams which should lead to more timely invoicing and reduce debt.	A
Review of homecare contract extension for any efficiencies in costs that can be as part of the process.	A
Review of Home Care packages in particular for double handed care and look at alternative approaches to delivering services.	A
Public Health	
Workplace Health: Project to support businesses across Leicestershire and Rutland to improve and sustain employee health and wellbeing. The tailored programme has been designed in collaboration with, and for Leicestershire businesses, helping to ensure that the support that is most needed by the county's workforce is available to them and their organisations.	A
Environment and Transport	
Commercialisation of Highways Services: Review & expansion of asset sponsorship scheme to cover different highway assets and street furniture	A
AutoCAD Software Licence Renewal	R
Street Lighting Base Stations	A
Fleet Efficiencies & Improvements - management and maintenance of the Council fleet	A
Fees & Charges - programme of deep dives into branch areas that charge for external work to review charging structure & increase revenue	A
Conversion to Electric Vehicles (EV) - transition of LCC fleet to EV's to achieve both financial and carbon savings and reduced energy consumption.	R
Digitising Time Sheets	G
Safety Only Grass Cutting in urban areas	A

Initiative title	RAG
Driven Inspections: utilise new Artificial Intelligence (AI) technology to reduce the number of inspectors required per vehicle and reduction in visits to defects	A
Review of Winter services	A
Future Waste Transfer Station (WTS) & Trade Waste Commercial Work	A
Recycling and Household Waste Sites (RHWS) Income & Service Efficiency	A
Traffic Signals Maintenance	G
Lane Rental - The lane rental scheme charges third parties and the highway authority working on certain roads on the network.	A
Service Efficiency Programme	A
Chief Executives	
Regulatory Services - Beaumanor income: Increasing income due to the relocation of the Loughborough registration service to Beaumanor Hall.	G
CEX Service Efficiency Programme: Savings to be identified through the rolling programme of efficiency reviews supported by the TU.	A
Democratic Services/ Civics - various: Future savings opportunities identified during service review.	R
Increasing Income Generation (Freeport): Income received from the East Midland Freeport for accountable body responsibilities.	G
SUD additional Registrars fees and income (to be added to CE8); Additional income due to an increase in fees charged by the Registration Service.	G
Implementing BioDiversity Net Gain: Income to be received by implementing a chargeable BNG advisory service.	A
SUD additional Planning, Historic and Natural Environment - fee income (to be added to CE2): Additional income due to the national Planning Application fees increase.	A
Additional Savings from Democratic Services (to be added to CE3): Income from East Midlands Freeport for democratic services - now not going to be received.	R
Growth Services Income: Staffing savings to be realised through implementing the departmental review of the Growth Service.	G
Corporate Resources	
Financial Operations review of processes- Focussing on collections and reducing Adult Social Care debt / Review of Direct Payments	A
Property Services - Review Target operating Model and reducing the cost of running LCC properties	A
Tax Opportunities - review of opportunities for payroll tax savings	A
Country Parks and Cafes - Maximisation of Income	A
Minimum Revenue Provision Review - assessment of alternative prudent approaches	A
Insurance Claims Management Review - Phase 2	A
Review of Recharges for internal support services	A
Review requirement of mobile phone handset across the council	A
Service Efficiency Programme - Rolling Programme across Corporate Resources	A
Energy measures to reduce spend across the corporate estate	A
Third Party Spend Review - Aspiring to ensure all such spend is necessary and represents the best possible value for the authority	A

Initiative title	RAG
Cross cutting	
Review of the Council's information management and governance arrangements	A
Review of Prevention Activity to ensure focus on most effective interventions	G
Sustainable Support Services Programme - ensuring the right tools are available alongside cost effective and efficient support services	A
Efficient meetings administration - ensuring processes around the servicing of meetings are effective	A
Post - looking at ways of improving the cost effectiveness around dealing with and managing the level of physical post received and sent out	A
Review the Council's fees and charges policy and ensure it is consistently and fully applied across all relevant Council activity	A
Review of activities linked to Community engagement to ensure they are effective, focussed and consistent with Council priorities	A

Green
Amber
Red

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