Meeting: **Scrutiny Commission**

Date/Time: **Monday, 9 June 2025 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

Mrs D. Taylor CC (Chairman)

Mr. J. Bloxham CC	Mrs. K. Knight CC
Mrs. L. Danks CC	Mr. M. T. Mullaney CC
Mr. M. Durrani CC	Mr. O. O'Shea JP CC
Mr. S. J. Galton CC	Mr. B. Piper CC
Mr. A. Innes CC	Mr J. Poland CC
Mr. P. King CC	Mr. K. Robinson CC

AGENDA SUPPLEMENT

A supplementary report has now been published in respect of agenda item 10 as detailed below

Item		Report by	
10.	Provisional Revenue and Capital Outturn 2024/25.	Director of Corporate Resources	(Pages 3 - 50)

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SCRUTINY COMMISSION – 9 JUNE 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PROVISIONAL REVENUE AND CAPITAL OUTTURN 2024/25

Purpose of the Report

1. The purpose of this report is to set out the provisional revenue and capital outturn for 2024/25. The Commission is asked to review and comment on this and consider if it wishes to make any recommendations for the Cabinet's consideration at its meeting on 17th June.

Policy Framework and Previous Decisions

2. The County Council approved the 2024/25 to 2027/28 Medium Term Financial Strategy (MTFS) in February 2024. The key aim of the Strategy is to ensure that the Authority has appropriate resources in place to fund key service demands over the next few years. The Strategy includes the establishment of earmarked reserves and the allocation of ongoing revenue budget and capital resources for key priorities.

3. The 2024-28 capital programme was reviewed over the summer of 2024 and an updated programme was approved by the Cabinet on 13 September 2024.

Timetable for Decisions

4. The Cabinet will consider a report on the provisional revenue and capital outturn for 2024/25 on 17 June 2025.

5. The Cabinet will be asked to note the revenue and capital outturn positions and prudential indicators, to approve additional commitments specified in the report and to endorse an additional £10m treasury management investment in bank risk sharing product (capital release funds), in line with the Council's approved Treasury Management Strategy.

6. The Cabinet will be asked to consider any comments from the Scrutiny Commission.

Overall Position

Revenue Outturn

7. A summary of the revenue outturn for 2024/25, excluding schools grant, is set out below:

	£000
Updated budget	567,607
Provisional outturn	561,376
Net underspend	-6,231
Additional funding	-2,544
Net underspend	-8,775
Additional commitments	8,775
Net position	0

8. Appendix A shows the provisional outturn position for 2024/25 in more detail. This compares the actual net expenditure incurred with the updated budget. The original budget has been updated for transfers between services and from central contingencies.

9. Appendix B gives details of significant variances by departmental revenue budgets for 2024/25.

Children and Family Services – Schools Budget

10. Overall there is a net overspend of £16.3m on the Dedicated Schools Grant (DSG). This comprises an overspend of £23.2m on the High Needs Block, which has been forecast at that level for most of the year, offset by an underspend of £5.0m on the Early Years Block, and an underspend of £1.9m on the Schools Block from schools' growth, which will be retained for meeting the costs of commissioning school places in future years.

11. The High Needs Block overspend of £23.2m in 2024/25 is £6.2m 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 an overspend in the placement budgets of £6.4m as a result of an increase of 1,028 (17%) in the number of funded places above budgeted position. The significant increases are within mainstream schools which are 33% above budget, and Post-16 Further Education Colleges by 59%. The department is undertaking further analysis to understand the reasons for the increase in numbers. Costs per place appear stable in most provision types. The department is investigating the utilisation of places in the Council's own specialist units, currently circa81%, to reduce the need for placements in the more costly Independent sector. An overspend on specialist teaching services and the Secondary Education Inclusion partnerships of £0.8m further increases overall overspend position.

- Additionally, the final figures published by the Department for Education (DfE) resulted in a £0.2m reduction in 2024/25 High Needs DSG income. This is due to an increase in students placed in provisions outside of Leicestershire as at the Spring census date than the same point the previous year.

12. Nationally, concern over the impact of Special Educational Needs and Disabilities (SEND) reform on High Needs expenditure, and the financial difficulties this exposes local authorities to, is growing. Whilst the 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 be implemented and none appear to address the funding issues.

13. 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 and this rises to £64.4m at the end of 2024/25. 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.

14. Without new interventions the High Needs Block deficit is expected to continue to increase over the MTFS period and is not financially sustainable, despite planned savings in the region of £50m by 2028/29. This creates a significant and unresolved financial risk to the Council.

15. The Early Years budget is showing a financial year-end underspend of £5.0m. The budget is based on the number of hours used to calculate the original 2024/25 Early Years DSG income in December 2023. Both payments and income are higher than budgeted due to the outputs of the Free Early Education Entitlement (FEEE) expansion and a higher number of 2-year-olds with working parents and a higher number of under-2s now taking up their FEEE entitlement. Changes to the methodology and funding lag around timings as to when grant income is received and means the 'true' underspend position in relation to 2024/25 will not be confirmed until later in the summer of 2025 upon DfE confirmation of any funding adjustments.

16. The overall underspend position includes the budgeted planned underspend of £1.1m as part of the payback of previous years' Early Years deficits. The Early Years DSG deficit as at 31 March 2024 was £3.1m. The plan was to clear this deficit over 4 years which would be March 2027 at the latest. Once the final DfE funding position is known (over the summer 2025) this will then determine the final position on the Early Years Block for 2024/25 and therefore the extent to which the deficit position could be cleared sooner than the planned March 2027 date.

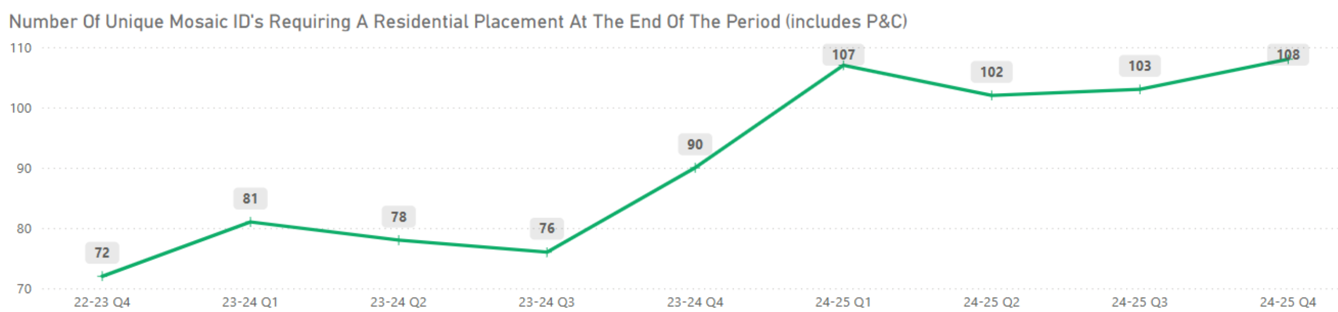
Children and Family Services – Local Authority Budget

17. The Local Authority budget is overspent by a net £8.8m (7.1%), mainly relating to overspends on the Children's Social Care Placements budget (£5.0m), Unaccompanied Asylum-Seeking Children's budget (£1.5m), Education Psychology Service (£1.2m), and Disabled Children Service (£0.8m).

18. The overspend on the Children's Social Care Placement budget (£5.0m) is largely due to the change in demand / numbers in relation to children in residential provision, in

comparison to budgeted assumptions. The MTFS 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 this assumption was reasonable and reflective of data-driven demand analysis. However, between the period of January 2024 and summer 2024, residential numbers increased rapidly to over 100 children. The end-of-year position showed 108 children in residential provision (26% increase vs budgeted MTFS projection). The financial impact overall on this budget due to the change in demand is significant.

19. The graph below illustrates how demand in residential provision has changed over time, and the sharp increase in demand from 2023/24 quarter 3 to 2024/25 quarter 1.



20. The table below shows the difference in both numbers and weekly unit cost for some of the costliest placement types, comparing MTFS budgeted position to the current position / cohort of children at the end of March 2025.

	24/25 MTFS budgeted Assumptions by March 25		**24/25 Position at end of March 25**		**Change**	
Placement Type	**Numbers**	**Weekly Cost £**	**Numbers**	**Weekly Cost £**	**Numbers**	**Weekly Cost £**
Residential Provision (Including Parent and Child)	86	6,181	108	6,055	22	-126
Independent Fostering Provision	150	926	145	980	-5	54
16plus Supported Accommodation (Non-UASC)	77	1,666	82	1,750	5	84

21. 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 (for example, where they display violence and aggression as a result of experiencing trauma) and results in the use of high cost, £12,000+ per week per child,

interim provision until behaviour stabilises or another placement can be found. This can also result in volatility in the average unit cost of this cohort at any one time. Other sufficiency issues impacting on budget pressure include a lack of step-down options from residential provision. There are approximately 11 children who have been waiting long periods (6 months plus) for a family-based placement, 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 affects availability of placements for older children and those with more complex needs.

22. 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 lifetime of the MTFS. Several units are now live and operational, with the remainder of units due to open over the next 12-18 months.

23. The £1.5m 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 into private residential accommodation by the Home Office 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.

24. 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, 0.1% threshold currently equates to circa 145 Looked After Children UASC aged under 18. No consideration is given to the number of UASC care leavers aged 18+ within the allocation of the 0.1% by the Home Office. This in turn 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 is working with the East Midlands Councils' Strategic Migration Partnership which continues to challenge the situation with the Home Office.

25. The number of UASC care leavers is 216 by the end of the financial year, which includes a number of UASC Looked After Children (i.e. those in the care of the Authority) who will have turned 18 in the last six 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 145. Overall this is a significant demand and financial pressure. The level of grant paid by the Home Office is sufficient to cover the costs of the cohort that are under 18, but it drops significantly for those over 18 and does not cover the cost incurred. The table below shows the change in demand over the last three 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%
Mar-25	82	-38%	216	33%

26. The Education Psychology service is overspent by £1.2m in 2024/25. Difficulties recruiting into vacancies in this area have resulted in an increased reliance on locums at a significantly higher cost. Increased demand due to the growing number of Education, Health and Care Plan (EHCP) needs assessments has further impacted the overspend position.

27. The Special Educational Needs Assessment Service budget is overspent by £0.5m 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 (EHCP) writing, tribunal work and provide additional management resource has contributed to the overspend. Meanwhile mediation costs remain high, adding to the in-year financial pressure.

28. There is also an increased demand for children in need of financial support who meet the thresholds as set out in Sections 17/23 of Children's Act 1989, which targets children with challenging behaviour, as well as children with high needs 'on the edge of care'. 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 overspend on this budget for this financial year is £0.7m.

29. There are further budget pressures (£0.5m) linked to frontline social care service budgets – mainly within Family Safeguarding and First Response - due to some recent challenges with caseload management linked to incoming service demand. Key staff in First Response have been absent and, due to demand, additional agency staff were required. This has led to a review of longer-term staffing need for the service. In respect of Family Safeguarding, continued struggles to recruit experienced social workers have led to recruiting more newly qualified social workers needing agency staff working alongside them for the first 12 months. This will enable the service in 12 months' time to have a suitably experienced and skilled permanent workforce. The reliance on agency will reduce after 6 months with a significant reduction in 12 months. Agency usage and its appropriateness is reviewed on a monthly basis as part of business-as-usual practice.

30. The Disabled Children Service overspent by £0.8m. Difficulties recruiting into vacancies within the service has resulted in an increased reliance on agency workers at a significantly higher cost (£0.3m). The remainder of the overspend position (£0.5m) relates to increased demand across both direct payments and commissioned support

due to increasing numbers eligible and needing access to short breaks and wrap around support for this cohort of children on the edge of care.

31. As a direct response to the financial pressures which were being seen in-year across the different service areas, the departmental management team is carrying out a review of non-statutory services, supported by the introduction of corporate led financial controls. Together with continued robust management and review of vacancies within the department, this work has delivered some one-off in-year efficiencies, and budget opportunities of £1.5m. This includes delaying recruitment to non-essential posts where appropriate, as well as maximising any grant funding to ensure such prescribed outcomes can be met in the most efficient, effective and compliant way possible. Further work is being undertaken to explore the feasibility of this work delivering ongoing future budget efficiencies.

32. 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) Pro-active reviews of a child's placement package, ensuring package of support and care is fit for purpose and aligned to needs. This is supported by ensuring reduced periods of care or avoiding the need for care through family help support and new models of working, and targeted interventions through exiting care by legal orders and step-down from residential interventions.
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.
c) Continued business as usual 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 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; this is projected to deliver some one-off in-year efficiencies and budget opportunities, including delaying recruitment to non-essential posts where appropriate.

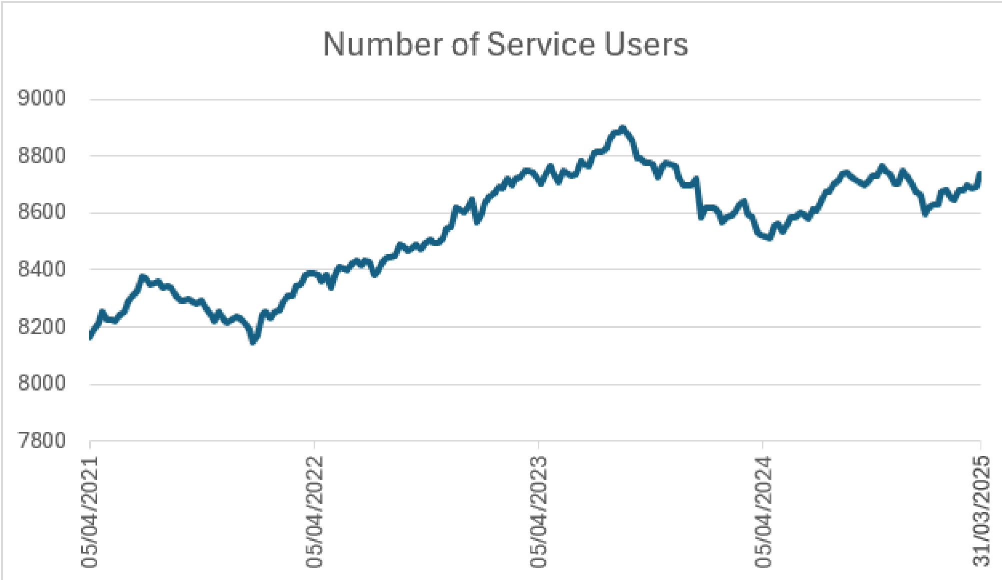
Adults and Communities

33. There is a net underspend for the departmental revenue budget for 2024/25 of £17.3m (7.2%).

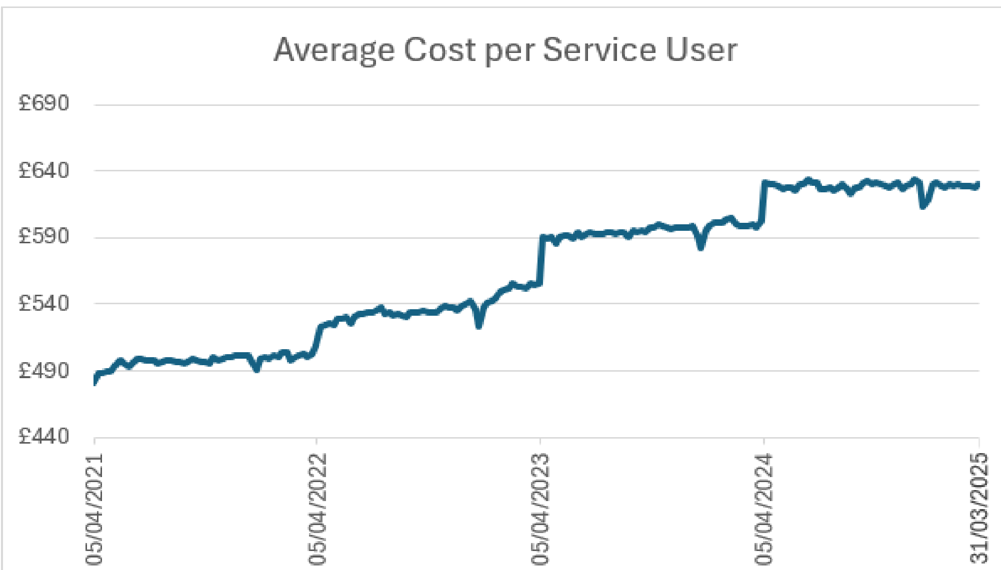
Overall Demand Trends

34. The chart below shows the overall number of service users being supported across Residential Care, Homecare, Supported Living, Direct Cash Payments and Community Life Choices from April 2021 through to March 2025. Prior to the introduction of the Fair Outcomes Panel (departmental panel to review care packages) in September 2023 annualised growth from April 2021 to September 2023 was approximately 3.5%. Since then, the department has worked to be more efficient with commissioning and the

number of service users supported has now decreased to an annualised rate of 1.5% over the whole period.



35. 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.



36. 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.

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

Homecare - £3.8m underspend

38. The number of home care service users and average hours had been falling since the introduction of the Fair Outcomes Panel in September 2023. The budget is based on an average of 2,690 service users per week. At the start of the year there were 2,550 service users. Over the year there has been a 4% growth in SU numbers to 2,650 as of March 2025. Average hours per service user are currently around 10.7 per week which has now reached a stable position, having fallen from around 11.2 hours a year earlier. The average cost per week per service user over the year is £340 (2023/24. £330).

Residential Care - £3.2m underspend

39. Residential service user income overachieved the budget by £2.6m, predominantly from clearing a backlog of financial assessments which has generated additional one-off income. This income may not be fully guaranteed due to the charges being raised relating to the past and therefore being more difficult to collect. Additional health income was also received of £1.1m due to increasing numbers of service users with funding following the introduction of the Fair Outcomes Panel. The additional income was partially offset by an overspend on residential care expenditure of £0.8m due to an increase in service user numbers. There was an average of 2,384 service users over the course of the year with an average cost of £1,095 per week. There are also fewer service users in shared lives residential placements creating an additional underspend of £0.35m.

Better Care Fund (Balance) / Other NHS Income - £2.7m underspend

40. Additional BCF and Discharge Grant income of £2.7m which can be used to support hospital discharge-related costs.

Home First - £1.3m underspend

41. The underspend relates to staffing vacancies that are in the process of being filled. Recruitment is ongoing to ensure that the new Homecare Assessment and Reablement Team (HART) delivery model (intake model) is fully staffed. This will have the benefit of increasing reablement capacity, reducing the commissioning of external provision when there is not adequate HART capacity.

Supported Living - £1.1m underspend

42. There was an increase of approximately 20 service users over the course of the year which is lower than anticipated. The underspend was due to lower referrals coming via the care pathway, but also resulted from alternative commissioning options being pursued by the Fair Outcomes Panel and in group supervisory meetings. Currently there are 526 service users at an average cost of £1,645 per week.

Direct Cash Payments - £1.1m underspend

43. The underspend is due to 2.45% reduction in service users leading to a £1.2m underspend. The number of new packages being commissioned has decreased by 30% since the introduction of the Fair Outcomes Panel leading to lower service user numbers. The cash payment income target was £0.1m lower than budgeted, and the department is working to improve this process where service users have not used their full allocation and have surplus balances building. Currently there are 1,726 service users receiving a direct cash payment and 1,279 carers receiving a carers cash payment. The department has actively encouraged the uptake of personal assistants by cash payment recipients. This was implemented in August 2023 and has had a slow start but numbers are expected to scale up over 2025/26.

Community Life Choices (Day Services) - £0.8m underspend

44. The number of service users peaked in October 2023. Since then numbers have been lower than budgeted for. There has been a noticeable increase of 6% in working age adult service user numbers over the year, which are likely to be young adults who have transitioned from the Children's and Family Services Department.

45. The net underspends above are increased by a net £3.3m underspend mainly from staffing vacancies, grant income and other minor variations. Collection of adult social care debt has been challenging during the year as it is dependent on many factors, some of which are outside the Council’s control, such as delays within the court system to process Court of Protection applications.

46. During budget setting for the new MTFS 2025-29 a total of £9m was reduced from the 2025/26 Adults and Communities budget in light of the ongoing impact of the variances from 2024/25. Following the outturn position another review will be undertaken to determine if there are any further reductions that can be made to the 2025/26 budget. This will be reported as part of the Period 2 monitoring position in June 2025.

Public Health

47. The outturn is as budgeted after movements to the earmarked public health reserve. Additional public health grant and underspends on teen health and sexual health services, offset by a reduction in planned contributions (£1m) from the earmarked reserve.

Environment and Transport

48. A net underspend of £1.8m (1.6%) is reported.

49. Across Highways and Transport operations a net £1.1m overspend is reported as a result of:

- Mainstream School Transport - £1.5m overspend. This arises from an increase in overall number of entitled students (6.7% since 2021/22) 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, have resulted in more pupils being transported by taxi. Furthermore, with effect from September 2024, additional costs arose from a DfE statutory change to Mainstream home to school transport policy.

- Environmental and Reactive Maintenance – net overspend £1.9m. This is in response to increasing demand for reactive repairs on a deteriorating road network and severe weather conditions. This is a statutory duty with works being undertaken in line with service policy.
- SEND Transport – £0.2m underspend. Due to the ongoing targeted tendering work.
- Passenger Fleet – a net underspend of £0.4m due to vacant driver and escort posts, net of additional vehicle hire and maintenance costs.
- Social Care Transport - £0.6m overspend. This is due to an under reserve in 2023/24 and additional taxi spend, being met by an underspend on Passenger Fleet.
- Network Management - a £0.7m underspend arising from additional Temporary Traffic Regulation Order applications.
- Engineering Services – a £1.6m underspend due to an increased recharge to the Capital Programme for staff time incurred on capital works.

50. Development and Growth services are reporting a £0.5m underspend arising from vacancies across teams (£1.0m) offset by a shortfall in developer income (£0.1m) and recharges to capital programme for staff time incurred on capital works (£0.4m).

51. There is a net underspend of £2.7m reported for Environment and Waste Management services. Additional income from the sale of dry recyclable and electrical materials (£1.6m), together with underspends arising from staffing vacancies (£0.1m); and net underspends arising from changes to waste treatment including diverting waste away from landfill (£0.9m). There is also a £0.1m underspend on environmental policies and initiatives due to reduced capacity for service delivery and lower take up of planned initiatives.

<u>Chief Executive's</u>

52. The Department had an underspend of £0.8m (4.7%), mainly due to staffing vacancies within the Growth Unit (£0.5m), Democratic Services (£0.2m) and across the remaining service areas (£0.1m).

<u>Corporate Resources</u>

53. There is a net underspend of £1.1m (2.6%).

54. There have been vacancy underspends across the directorate due to difficulty in recruiting to posts and continued corporate recruitment controls. Recruitment to professional and technical posts is particularly difficult due to competition in both the public and private sector markets. There have been reduced energy costs across Council buildings and increased income from some areas that deliver chargeable services for other organisations such as Human Resources and Internal Audit. This will enable some earlier delivery of savings in 2025/26. Continued tighter corporate led financial controls,

together with existing robust management and review of vacancies within the department have helped to deliver a number of in-year efficiencies.

55. Commercial services have also performed better than anticipated but it remains a challenging environment, due to the impact of inflation and reducing customer base in some parts of the service. Schools are the main customer and are under increasing financial pressures.

56. The underspends are offset by contributions to earmarked reserves as below:

- £0.5m to the Investing in Leicestershire Programme (IiLP) earmarked reserve (sinking fund) to help offset a forecast fall in the net asset value of £1.8m relating to the divestment of certain pooled property investments, explained in more detail within the IiLP section later in this report.
- £0.4m to earmarked reserves to offset one-off costs related to the relocation of the data centre currently located at Romulus Court, Leicester to a third party host.
- £1.4m towards a sinking fund for corporate buildings (particularly Beaumanor Hall due to urgent maintenance requirements) and country parks.

Central Contingencies

57. 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. The balance of funding has been transferred to corporate earmarked reserves to assist with addressing the projected MTFS budget gaps in future years. The 2025-29 MTFS shows a gap of £38m in 2026/27 rising to £62m in 2027/28. To mitigate the impact it is important that wherever possible funding is set aside to meet those future years' challenges and the budget equalisation reserve should aim to at least have the equivalent of 2 years' budget gaps to avoid financial resilience issues.

58. Inflation Contingency (£36.1m original budget, £12.3m balance). The contingency was underspent by £10.3m. This mainly relates to lower costs on the Adult Social Care Fee review than anticipated in the MTFS, linked to falling inflation. The pay settlement for Local Government staff for 2024/25 was also lower than the assumption in the MTFS. Given a shortfall in government funding regarding the impact of changes to National Insurance from April 2025 and uncertainty of the impact on the costs of supplies and services to the Council, an amount of £2m has been carried forward to 2025/26 via a transfer to earmarked reserves.

59. Service Investment Fund (£0.2m original budget). This budget was 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 also provided capacity to administer Government flood-related grant funding.

<u>Central Items</u>

60. The Financing of Capital budget is £6.2m overspent. This comprises an underspend of £0.9m (part-year 2024/25) due to a reduction in interest payments following the early repayment of £39m of external debt principal during 2024/25, offset by early repayment premiums of £7m charged in 2024/25. Following high periods of inflation in the UK there had been an increase in the discounts available for the premature repayment of debt which will then lead to annual savings in interest payments for the next 40 years in excess of the premiums paid. 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). At the year-end the Council is now underborrowed by £20m, which can be funded using internal investment balances rather than more expensive external borrowing.

61. Bank and other interest has provided £7.5m increased investment income. This is due to the Bank of England base rate levels during 2024/25 being higher, and for longer than forecast, and higher than estimated average Council balances. The Bank of England base rate now stands at 4.25%. Average balances remain strong due to earmarked reserves, the latest phasing of spend on the capital programme and government grants received in advance.

62. Central expenditure budgets are overspent by £0.5m. A contribution of £1m has been made to the Pension Fund to cover actual ill health retirement costs incurred in 2024/25, offset by underspends in other budgets, including £0.2m relating to higher than forecast income from a share of the surplus for ESPO (the Eastern Shires Purchasing Organisation, a public sector consortium) in 2023/24.

63. There is an underspend of £2.2m on Other Items, mainly relating to £1.2m from cleansing of receipted aged purchase orders that are no longer required and £0.7m regarding a reduction to prior year business rates relating to some properties including Beaumanor Hall and Century Theatre.

64. Additional contributions to corporate earmarked reserves of £6.6m. This relates to £3.1m to provide cover for the increase in the High Needs Block deficit, £2.5m 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.

65. The Cabinet on 13th September 2024 approved the use of the Period 4 forecast net underspend of £6.4m to fund an increase in the capital programme risk contingency. This has already been reflected in the outturn position.

66. 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 improved overall position, that contribution was not required in 2024/25 but is likely to be needed in future years, with the approved 2025/26 budget only being balanced with the use of reserves (£4.7m).

Business Rates

67. Additional Business Rates income of £1.3m is forecast in 2024/25, based on the last information received from district councils on their NNDR1 forms and forecast section 31 grants. The final position will be based on the NNDR3 returns to be submitted to the Government by the end of May. 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.

68. Additional Business Rates Pool levy income of £0.7m is forecast for 2024/25. The current forecast, based on data in the NNDR1 forms and monitoring exercises, shows a total of £21.7m, of which one third (£7.2m) will be allocated to the County Council under the treatment of levies reported to the Cabinet in June 2023, compared with the forecast of £6.5m included in the 2024/25 budget. The actual levy position will be determined from the data in the NNDR3 returns due by the end of May.

69. The Government redistributed £100m from the national Levy and Safety Net fund, of which the County Council was allocated £0.5m.

Overall Revenue Summary

70. Overall, there is a net underspend of £8.8m. The Cabinet will be recommended to approve that this is added to the Transformation reserve, to support the development of further savings to mitigate the projected shortfalls in future years' funding and initial costs relating to Local Government Reorganisation.

79 The scale of the County Council's challenge will require all areas to be reviewed for opportunities. In common with previous years, it is expected that a mixture of internal and external resource will be required to identify and deliver savings, and the underspend from 2024/25 will be used to support this where required. The current MTFS gap, combined with the uncertainty over the Spending Review and Funding Reform, requires immediate action to identify further deliverable savings options. The process to refresh the MTFS is underway, and a progress report will be brought to the Scrutiny Commission in September providing further information on the approach to identifying new opportunities to ensure a sustainable budget can be set for 2026/27.

80 In terms of Local Government Reorganisation, the current timeline is to prepare and submit a full business case in November this year. That is likely to involve significant work in terms of financial modelling, options appraisal and consultation and may require additional capacity. The Council has recently received feedback from government on its interim plan submission and is now reviewing it to understand what further work will be needed. The government has also made a contribution towards business case development for each area.

81 Despite the overall net underspend position for 2024/25, the underlying position remains very challenging, even after actions taken to reduce expenditure. There are significant overspends in the Children and Family Services budget and the 2024/25 £23m deficit on the High Needs Block (resulting in a £64m cumulative HNB deficit) is of particular

concern, especially as the government has not yet set out any plans to extend the Statutory Override beyond March 2026 or announced any alternative proposals. The local government settlement did not provide any clarification on government's plans for SEND reform. The High Needs deficit is forecast to exceed £100m by the end of the MTFS period.

82 Many of the underspends are due to staff vacancies which by their nature are not on-going, and the significant additional income from bank and other interest is likely to be short-term too. Tight control over spending and reducing running costs where possible through ongoing financial controls has enabled the Council to produce a net underspend position, despite continued cost pressures, particularly on children's services.

83 The current MTFS still shows a gap of £90m by 2028/29, despite demand pressures in adults being well managed and inflationary pressures reducing. Whilst a review of the MTFS is currently underway to take into account the final outturn position this is incredibly difficult before any final proposals on local government funding reform are released. The Spending Review is expected on 11th June and further funding consultations are due before the summer recess, but it could be well into autumn before the actual impact on the Council is known. This means that it is even more important to have clear, deliverable savings plans and a robust level of reserves as there may be limited time to react once the financial position for 2026/27 becomes clearer.

84 The national financial position remains extremely tight, and the Chancellor may need to announce further spending reductions in June to remain within fiscal rules. As local government is not a protected department, unlike Health and Education, it may be harder hit by reductions. Funding reform is not expected to be favourable for county areas, with the government giving a bigger focus to areas of deprivation. This has already impacted on Leicestershire through the 2025/26 finance settlement. The combination of further government spending reductions and funding reform could present a very challenging budget setting process for 2026/27.

General Fund and Earmarked Reserves

85 The current balance of the General Fund is £21m, representing 3.7% of the 2025/26 net revenue budget, which is below the Council's approved Reserves policy target range of 4% to 7% of net revenue expenditure. The latest MTFS 2025-29 includes contributions of £1m per year to increase the General Fund by the end of the MTFS period to £25m. Subject to the proposed addition of £8.8m from the 2024/25 net underspend to the Transformation reserve, it is proposed to transfer £4m of this balance to the General Fund. This would increase the General Fund balance as at 31 March 2025 to £25m and to 4.1% of the 2025/26 net revenue budget, and within the Reserves policy target range. It is necessary to increase the General Fund to reflect increasing uncertainty and risks over the medium term and to avoid a reduction in the percentage of the net budget covered given the overall budget increase.

86 The level of earmarked reserves held as at 31 March 2025 totals £230m including schools and partnership funding. They can be summarised as below:

Capital/Repairs	£126m
Risk	£110m
Revenue projects	£23m
Ring fenced grants etc	£18m
Schools DSG	-£48m
Partnerships	£1m
Total	£230m

87 Earmarked reserves are shown in more detail at Appendix C. This shows balances at April 2024 and as at the end of March 2025. The MTFS includes further analysis of the County Council's earmarked reserves including the reasons for holding them.

88 The risk-based reserves shown in the table above include the Budget Equalisation reserve which is held to support the MTFS and provide some level of cover for future funding gaps in case adequate savings are not identified or delivered. This reserve also provides some mitigation for the High Needs deficit. Given that the budget gap in 2026/27 is expected to be in the region of £38m, as well as the future challenges on the High Needs deficit, it is important that this reserve is held at a reasonable level.

89 The main earmarked reserves are set out below.

Renewals of Vehicles and Equipment (£2.2m)

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

Trading (£5.8m)

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

Insurance (£15.6m)

92 Earmarked reserves of £10.7m are held to meet the estimated cost of future claims to enable the Council to meet excesses not covered by insurance policies and smooth fluctuations in claims between years. The levels are informed by advice from independent advisors.

93 The uninsured loss fund of £4.9m is required mainly to meet potential liabilities arising from Municipal Mutual Insurance (MMI) that is subject to a run-off of claims following liquidation in 1992. The fund also covers the period before the Council purchased insurance cover and any other uninsured losses.

Children and Family Services

94 Children and Family Services Developments (£2.3m). This provides funding for a number of projects such as improving management information, information access and retention and responding to changing requirements as a result of OfSTED and legislation.

Adults and Communities

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

Public Health

96 Public Health (£5.8m) – to fund Public Health initiatives within Leicestershire.

Environment and Transport

97 Commuted Sums (£1.9m). This funding, received from housing developers, is used to cover future revenue costs arising from developer schemes where the specifications are over and above standard developments. For example, block paving, bollards, or trees adjacent to the highway. These liabilities can arise many years after the funding is received and therefore the balance on this earmarked reserve has built up over time.

Corporate

98 Transformation Fund (£12.0m), subject to the Cabinet approval of £8.8m from the 2024/25 net revenue underspend and a transfer of £4m to the General Fund. The Fund is used to invest in transformation projects to identify and deliver efficiency savings and also to fund severance costs. To achieve the level of savings within the MTFS the Council needs to change significantly and this will require major investment, including in some of the core 'building blocks' such as improvements to data quality, and improvements to digital services enabling more self-service.

99 Broadband (£2.7m). This earmarked reserve was established to allow the development of super-fast broadband within Leicestershire. There is a significant time lag in spending County Council funds as a result of securing grant funding from Government and the European Regional Development Fund that required those funds to be spent first and within a set period.

100 Budget Equalisation (£91.9m). This manages variations in funding across financial years and potential one-off funding for future MTFS gaps. As things stand, there could be a significant call on this reserve in the medium term if further savings are not identified and delivered in the short term. The reserve also includes the increasing pressures on the High Needs element of the DSG which is in deficit by £64.4m at the end of 2024/25. The Children and Family Services Department is investigating a number of actions that could over the course of the MTFS reduce demand and therefore the overall deficit.

Capital

101 Capital Financing (£129.2m). This earmarked revenue reserve is used to hold MTFS revenue contributions required to fund the approved capital programme in future years. When financing actual capital expenditure incurred, capital funding is used first and this revenue reserve is used last (as revenue funding is less restricted than capital funding, the latter of which can only be used to fund new capital expenditure). This reserve is fully committed to fund the 2025-29 MTFS capital programme and will be used before any of the planned £84m new unsupported borrowing included in the 2025-29 programme is used.

102 Pooled Property Fund(s) (-£18.1m) balance after principal repayments. The Cabinet previously approved the investment of £25m of the Council's earmarked reserves into pooled property funds. The investments are held to achieve higher returns than if the funds were invested as cash and return an annual contribution of approximately £1m. The investment is funded from the overall balance of earmarked reserves and can be realised in the future when required.

Other / Partnerships Earmarked Reserves

103 DSG (overall deficit of £48.3m). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations. This reserve is earmarked to meet the revenue costs of commissioning places in new schools, early years and to support pressures on the High Needs block. A summary is shown below:

	Schools Block	**Early Years Block**	**High Needs Block**	**Total**
	£m	**£m**	**£m**	**£m**
As at 31 March 2024	12.3	-3.1	-41.2	-32.0
Changes 2024/25	1.9	5.0	-23.2	-16.3
As at 31 March 2025	**14.2**	**1.9**	**-64.4**	**-48.3**

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

105 Health and Social Care Outcomes (£10.2m) used in conjunction with Health partners across Leicestershire.

106 Active Together (£1.1m). The main purpose of this earmarked reserve is to hold partner contributions until expenditure on the agreed activities has been incurred. A significant part of the service's funding from external agencies is uncertain in nature, so the earmarked reserve also allows management of funding variations and a redundancy provision.

CAPITAL PROGRAMME

107 The updated capital programme for 2024/25 totals £168m. This follows a review of the programme undertaken over the summer and approved by the Cabinet in September 2024. A total of £134m has been invested during 2024/25.

108 A summary of the capital outturn for 2024/25, excluding schools devolved formula capital, is set out below:

Programme Area	Updated Budget £000	Actual Expenditure £000	Net Variance £000	%
Children and Family Services	44,367	48,736	4,369	110%
Adults and Communities	7,080	5,580	(1,500)	79%
Environment and Transport	95,910	75,259	(20,651)	78%
Corporate Resources	4,542	2,203	(2,339)	49%
Corporate Programme	16,324	2,301	(14,023)	14%
Total	**168,223**	**134,079**	**(34,144)**	**80%**

109 A summary of the net variance is shown below:

Programme Area	Underspend £000	Overspend £000	Rephasing of expenditure £000	Accelera-tion £000	Total £000
Children and Family Servs.	(13)	13	(11,565)	15,933	4,369
Adults and Communities	(0)	0	(1,500)	0	(1,500)
Environment and Transport	(983)	1,413	(21,081)	0	(20,651)
Corporate Resources	(503)	0	(1,852)	16	(2,339)
Corporate Programme	(0)	0	(14,023)	0	(14,023)
Total	**(1,499)**	**1,426**	**(50,021)**	**15,949**	**(34,144)**
	(73)		**(34,072)**		

110 The net underspend has been added to the capital financing reserve to reduce the level of internal borrowing required for the new MTFS capital programme. The net rephasing of expenditure of £34m has been carried forward to the capital programme 2025-29 to fund reprogrammed projects.

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

112 Appendix E compares the provisional prudential indicators with those set and agreed by the Council at its budget meeting in February 2024. These are all within the limits set except for the ‘actual capital financing costs as a percentage of net revenue stream’ indicator – increase due to premiums on the early repayment of debt, reducing future interest costs, explained earlier in the report.

113 A review of the new 2025-29 MTFS capital programme will be undertaken during the summer 2025 in light of the outturn and financial pressures on large capital projects. An updated capital programme will be reported to the Cabinet in September 2025.

Children and Family Services

Key Projects Delivered

114 Creation of additional school places across the County at eleven different schools across all phases of Education. A total of 315 new primary school places across two Primary Schools including a second zero carbon school, Wellington Place Primary in Market Harborough. Regarding secondary provision, work started in year on 1,145 new school places across four schools. This involved expansions at existing schools which will conclude early in the 2025/26 financial year. The SEND programme saw the completion of a project with the DfE for the Bowman Academy Communication and Interaction Special School that opened 64 places. A further 36 places were delivered across other schools to support the growing need for High Needs places in Leicestershire.

Main Variances

115 Overall, the departmental outturn is net acceleration of £4.4m.

116 The main variances relate to the Provision of School Places Programme:

- Shepshed Iveshead School, £6.8m acceleration. This scheme delivers additional teaching spaces on a large and complex campus which houses multiple different education provisions that have some degree of interaction. The budget was profiled prudently between 2024/25 and 2025/26 in the MTFS. Good progress has been made and it is now forecast that the scheme will complete in early summer 2025.

- Burbage Hastings High School, £4.5m acceleration. This project creates a new sports hall and addition classrooms. The budget had been prudently profiled in the MTFS. Good progress has been made and it is now forecast that the scheme will complete in late summer 2025.

- Hinckley Redmoor (secondary), £3m acceleration. This project delivers a new science block, sports hall and refurbished catering facility. It is an academy delivered scheme, prudently profiled in the MTFS.

- Oadby Brocks Hill Primary, £1.8m slippage. This passported scheme creates 210 places at the school. Delays in the planning permission process have resulted in only internal configuration work being undertaken before the end of the financial year.

117 Other variations include rephasing of expenditure of £5m on the Children’s SEND programme (across various schemes), £1.2m reprogrammed on the Strategic Capital Maintenance programme, and £0.5m rephasing on the Children’s Social Care Improvement Programme (SCIP).

Adults and Communities

Key Projects Delivered

118 Disabled Facilities Grant of £5.5m passported to Leicestershire district councils to help people with the cost of adapting their homes to meet their essential needs.

Main Variances

119 Overall, the departmental outturn is net rephasing of expenditure of £1.5m. The variance is on the SCIP programme relating to two extra care schemes where the land transactions have been delayed to 2025/26.

Environment and Transport

Key Projects Delivered

120 A total of £45.3m was spent on the preparation and delivery of major projects in 2024/25, including:

- North and East Melton Mowbray Distributor Road, £40.1m – for the construction of the new distributor road to ease congestion in the town centre and facilitate growth.
- A511 Major Road Network scheme, £1.8m in designing and preparing the full business case to the Department for Transport. Project to tackle longstanding congestion and traffic related problems on the A511 between Leicester (M1 Junction 22) and the A42 commenced 2019/20 with a completion on site anticipated in 2028.
- Zouch Bridge, £3.4m – the existing bridge is at the end of its life. It forms part of the A6006 which is strategically important in terms of transport infrastructure and the regional economy. Construction commenced in 2024/25 and is ongoing.

121 A total of £22m was invested in Highways Asset Maintenance:

- £18.0m on carriageways
- £1.6m on footways and rights of way
- £0.8m on bridge maintenance and strengthening
- £1.2m on street lighting maintenance
- £0.1m on flood alleviation
- £0.3m on traffic signal renewal

122 A total of £0.7m has been invested in Environment and Waste improvement works, including at Recycling and Household Waste Sites (RHWS).

- £0.4m on General Improvements at RHWS locations
- £0.3m on improvements to Ashby Canal

Main Variances

123 Overall, the departmental outturn is a net rephasing of spend of £20.7m and a net overspend of £0.4m. The main capital programme variances are:

- North and East Melton Mowbray Distributor Road, £10.5m rephasing of expenditure due to reprograming of work with the contractor. The scheme is expected to complete in early 2026.
- Zouch Bridge Replacement – Construction and enabling works, £1.9m.
- Council Vehicle Replacement Programme, £1.8m rephasing of expenditure as orders have been committed. |However, due to supplier issues this has delayed the delivery of the vehicles.
- RHWS - £0.9m rephasing due to minor delays across various projects to 2025/26.
- Advance Design, £1.0m rephasing of expenditure due to alignment of programme to Multi Module Area Investment Plans (MMAIPS) and delivery of cycling and walking programmes.
- Externally Funded Schemes, £0.7m rephasing of expenditure based on latest construction estimations for a number of small, programmed schemes.
- Melton Depot Replacement, £0.6m rephasing of expenditure due to designs for the programme taking longer than anticipated.
- Property flood risk alleviation, £0.6m rephasing of expenditure due to latest project profiles.
- Safety Schemes, £0.6m rephasing of expenditure due to awaiting outcomes from the community speed management initiative survey that ran until March 2025.

124 Overall there is a net overspend of £0.4m across the departmental programme. This comprises the following areas: (the overspend can be managed across the overall capital programme from underspends in Corporate Resources).

- Restorative and preventative maintenance programmes, £2m additional costs, in order to keep the network safe due to the deterioration of highway assets. Additional government grant funding has been included in the new MTFS for highways maintenance in 2025/26.
- RHWS programme, £0.7m underspend. Reduced costs and contingencies not required.
- Transport Asset Management, capital schemes and design, £0.6m underspend, reduced scheme risk contingencies required and
- Other minor underspends - £0.3m

<u>Corporate Resources</u>

Key Projects Delivered

125 During 2024/25 £2.2m was invested, including the following programmes:

- ICT end user devices, £0.5m, updating Council-owned computers.

- Hyper-Converged Infrastructure refresh, £0.4m, a refresh of the virtualised network datacentre servers along with associated network storage devices across both data centre sites.
- Ways of Working programme, £0.7m, a programme to drive efficiency and promote productivity by promoting a culture of flexible, smarter working and office optimisation enabling rental income from partners.
- Property services, £0.5m, extending the life of council properties.

Main Variances

126 The overall departmental position was £1.9m rephasing of spend and an underspend of £0.5m. The main variances are:

- Climate Change (Energy Initiatives) - £0.7m rephasing of expenditure awaiting the design of the fleet transition plan and the outcome of match funding bids.
- ICT - End user device programme (PC, laptop), £0.5m rephasing of expenditure agreed by the Ways of Working programme board to ensure refresh funds are available beyond the existing MTFS period.
- Property Services - £0.6m rephasing of expenditure across various smaller schemes due to revised completion.
- Workplace Strategy – Office Infrastructure, £0.3m underspend due to latest estimations of works remaining costing less than previously anticipated.
- Other minor underspends £0.2m across the climate change and property programmes.

<u>Corporate</u>

Key Projects Delivered

127 During 2024/25, £2.3m was invested into the direct property estate, including a £1.8m investment in Airfield Business Park, Market Harborough.

Main Variances

128 The overall programme requires rephasing of expenditure of £14m on the Investing in Leicestershire Programme (IiLP). The main variances are:

- Airfield Business Park, £6.2m, project spend reprofiled due to delays with signing build contract.
- Lutterworth East Planning and pre-highway construction works programme, £3.2m This follows a review of the scheme, reported to the Cabinet in June 2024. The revised profile shows the majority of spend now being incurred in 2025/26 and 2026/27.
- Lutterworth Leaders Farm, £2.7m due to the requirement to obtain highways approval for a pedestrian crossing.

Capital Receipts

129 The requirement for new capital receipts to fund the capital programme for 2024/25, excluding the sale of pooled property investments, was £5m. The actual receipts were £0.7m due to delays in planned disposals. In all cases the sales are still proceeding but did not complete by the year-end. The temporary shortfall can be managed, due to reprogramming of spend across the programme, and will be carried forward to 2025/26 to be replenished when the sales are completed.

Overall Capital Summary

130 The Council has delivered a number of key capital projects during 2024/25, including new school places and investment in a number of transport projects. Managing and delivering major capital projects is complex and the spend on some projects has been rephased into future years to match completion timescales.

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

Investing in Leicestershire Programme (IiLP)

132 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.

133 A summary of the IiLP position at quarter four for 2024/25 is included within Appendix F and shows total net income for the year of £8.6m which is in line with the budget for 2024/25.The total budget is split between direct core holdings and diversifier investments as shown in the appendix. The position is after an additional contribution to the sinking fund of £2.8m during 2024/25. The sinking fund totalled £5.8m at the end of 2024/25. It is intended to increase the amount held in the sinking fund to £7m by the end of the MTFS 2025-29 period assuming no large utilisation is needed.

134 The actual percentage in-year net return for the IiLP is 5.4% for 2024/25 when excluding the development assets still in construction, and the rural portfolio. Including these asset classes reduces the forecast net income return to 3.0% for the year as a consequence of the low percentage returns against the rural portfolio which is expected. Valuations as at the end of March have not yet been received from the external valuer for the direct holdings so only the income returns are showing in the table against this part of the portfolio.

135 The solar project on the outskirts of Quorn has now been withdrawn and as such the forecast income for that scheme from 2026/27 has been removed and will be replaced by other in-flight projects. The site, which has planning permission to build a solar farm, has now been sold and the Council will benefit from the sale proceeds as well as receiving

business rates income from the site. There is an incentive within the business rates system whereby the authority granting planning permission for renewable projects retains the business rates income directly. The decision to sell the site was primarily based on the technical knowledge and experience required to build a solar farm in the short timescale required to guarantee the grid connection.

136 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 credit (debt) strategy and a bank risk share strategy. The aim is to provide diversified income from a variety of differing sources.

137 One of the four pooled property funds within the diversifiers' 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. During 2024/25 £5m capital was returned to the IiLP from asset sales by the manager but this related to £6.6m of the original principal investment, resulting in a £1.6m realised loss that has been reflected in the financial outturn position though a charge against the IiLP sinking fund. The remaining principal at year end was £0.9m compared to the year-end market valuation of £0.7m. The estimated remaining £0.2m loss would be a further charge to the sinking fund in 2025/26 depending on the actual sale values. However, it should be noted that the IiLP fund has received over £2m in income from this fund over the time of the investment.

138 Another of the four pooled property investments is also undergoing restructuring as the result of a large number of redemption requests. It is likely that the IiLP will see its capital returned during 2025. This Fund, at present, is valued at just below the original investment but has received £2.6m in income since the first investment was made in February 2016.

139 No new diversifiers were committed to during 2024/25 although the Partners' MAC 7 (private debt) has called capital totalling £6.8m and has uncalled commitments of circa £3m which are likely to be called through 2025/26. The diversifiers' actual net income for this year is £6.2m which is £3.4m ahead of the budget as a result of income from the bank risk share and private debt investments being ahead of budget. This level of one-off outperformance, mainly within the diversifier investments, will likely not persist as the Bank of England base rates have reduced and capital has been returned during 2024/25.

140 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.

Bank Risk Share – additional investment £10m

141 In June 2022 the Cabinet approved the initial investment of £10m into the Christofferson Robb and Company's, Capital Relief Fund 5 (CRF5). A subsequent investment of £5m was invested in March 2023. After capital returns the latest amount held as at March 2025 is £12.5m. This will continue to reduce as the underlying loans are repaid. The Council's approved Treasury Management Strategy Statement allows a maximum investment of £20m.

142 Within the banking regulatory environment, regulatory capital has to be held as support for loans. This is to ensure that the bank has adequate 'buffers' against losses under a range of scenarios. If a bank wishes to increase its lending activity it has to hold more regulatory capital and this capital can be expensive. For example, raising equity can be difficult if the amount to be raised is a large portion of the existing equity value. The riskier a type of loan, the more a bank needs to hold in reserve in capital.

143 By arranging a mechanism for transferring the risk for loans made, banks can receive approval from the regulators to hold less regulatory capital against existing loans. This releases capital to support other banking activities. The risk transfer and the approval by regulators makes bank capital release attractive to both the bank and the investor. As capital is expensive for banks, they can afford to pay a healthy premium to the counterparty (the investor) that the risk is being transferred to. In return, the banks end up with lower risk weighted assets (loans weighted on the level of risk they present to the bank) and better capital ratios.

144 Returns to investors in the fund come from the insurance premium paid by the bank which will be distributed to investors, less any fees. The invested capital will be returned as underlying loans are repaid less any losses incurred.

145 CRF5 has performed ahead of expectations, its target return is 9% pa. It is estimated that capital will be returned over the next 24 to 36 months and as such a new commitment would need to be made in order to maintain exposure to this asset class. This is a closed ended investment product with a life of seven years and as such regular commitments are needed in order to maintain an exposure.

146 The asset class is one that the independent review of the IiLP strategy by Hymans Robertson proposed should be in the range from 15-25% of total IiLP assets. This investment will help bring the IiLP back towards the middle of the range alongside other investments that will be proposed later in 2025/26.

147 Christofferson, Robb & Company is a private credit management firm that was founded in 2002 with capital first deployed into bank risk share strategies in 2004 and which specialises in European bank capital release. It has a dedicated team split across mainly London and New York and has the longest track record of managers operating this strategy.

148 The strategy has been known to the County Council since 2017 when the Leicestershire County Council Local Government Pension Scheme (LGPS) invested in an earlier release of the bank risk share strategy, Credit Relief Fund 3 (CRF3). The Leicestershire LGPS has invested into CRF5 and more recently in CRF6 and was advised by the investment consultant firm, Hymans Robertson.

149 The current iteration of the strategy (CRF6) targets an internal rate of return of 13%. This is higher than the previous fund CRF5 and is due to the higher interest rate environment that is expected to continue whilst bank risk share transactions are being conducted. CRF6 commenced conducting risk transfer transactions in 2024. The premiums paid by banks are linked to the base rate plus a margin. At time of uncertainty and stress the margin being agreed between Christofferson, Robb & Company and the transacting bank can be higher to the benefit of investors if loan losses are below estimations.

150 The Treasury Management Strategy Statement, approved by Council in February, allows for a maximum of £20m to be invested into this asset class. It is not proposed to increase this limit and so a commitment of up to £10m is proposed, ensuring that the overall limit is not breached. The investment period for this product ends at the end of 2025 (although the manager can request an extension) and as such at present income distributions are expected to commence around April 2026.

151 As with all investments there is a level of risk that exists. As a part of the review of the IiLP Strategy Hymans Roberston proposed that maintaining an allocation to this asset class would benefit the aims of the IiLP. This proposed allocation is in keeping with the strategy. Types of investment risk include:

- Leverage – the manager, Christofferson, Robb & Company, can employ leverage at Fund (CRF6) level. In addition, the underlying loans which are being insured are leveraged.
- Key man risk – the departure if key employees can halt investments due to be made. This provision within the investment particulars is to protect investors.
- Regulatory dependency – the manager relies on the EU Bank Recovery and Resolution Directive (2015) to mitigate risks associated with counterparty defaults and capital recovery. Changes by the European Banking Authority could impact the viability of Bank Capital Relief transactions. The manager will cease investing if this occurs during the commitment period, although it is unlikely existing transactions would be affected.
- General investment risk – this could come from a variety of sources including poor selection of loans to insure and general economic conditions deteriorating that affects the borrower's ability to service loans.

East Midlands Freeport

152 The County Council is acting as Accountable Body in relation to the establishment and ongoing activity of the East Midlands Freeport. The Freeport has been in operation since March 2023.

153 The County Council has provided up front funding to support business case development and wider set up costs. This is in the form of a commercial loan capped at £4m. Capacity funding has also been received from MHCLG. A total of £2.9m of the loan has been drawn down and has started to be paid back from the Freeport's retained business rates income stream. The balance remaining at year end was £8,800, which has since been fully repaid, with interest. However, the loan facility continues to March 2027 and so there is potential for funds to reborrowed up until that date.

Recommendation

154 The Scrutiny Commission is asked to review and note the report and consider if it wishes to make any recommendations for Cabinet to consider at its meeting on 17th June.

Equality Implications

155 There are no equality implications arising from this report.

Human Rights

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

Circulation under the Local Issues Alert Procedure

157 None.

Background Papers

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

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APPENDIX A

REVENUE BUDGET 2024/25 - PROVISIONAL OUTTURN STATEMENT

	Updated Budget £000	Actual Expenditure £000	Difference from Updated Budget £000	%
Schools Budget				
Schools	73,538	71,673	-1,865	-2.5
Early Years	63,169	58,147	-5,022	-8.0
DSG Funding	-136,707	-136,707	0	0.0
	0	-6,887	-6,887	
Earmarked fund - start of year			*-9,167*	
Earmarked fund - end of year			*-16,054*	
High Needs	107,112	130,327	23,215	21.7
Dedicated Schools Grant (DSG)	-107,112	-107,112	0	0.0
	0	23,215	23,215	
Earmarked fund - start of year			*41,188*	
Earmarked fund - end of year			*64,403*	
LA Budget				
Children & Family Services (Other)	124,177	132,938	8,761	7.1
Adults & Communities	241,074	223,733	-17,341	-7.2
Public Health *	-2,606	-2,606	0	0.0
Environment & Transport	112,895	111,095	-1,799	-1.6
Chief Executives	16,806	16,023	-783	-4.7
Corporate Resources	41,042	39,958	-1,084	-2.6
DSG (Central Dept. recharges)	-2,285	-2,285	0	0.0
MTFS risks contingency	8,970	8,970	0	0.0
Contingency for Inflation	12,309	2,000	-10,309	-83.8
Total Services	552,382	529,826	-22,556	-4.1
Central Items				
Financing of Capital	17,400	23,557	6,157	35.4
Bank & other interest	-14,200	-21,688	-7,488	52.7
Central Expenditure	3,402	3,911	508	14.9
Other Items (including prior year adjustments)	0	-2,199	-2,199	n/a
Total Central Items	6,602	3,581	-3,021	-45.8
Contributions to earmarked reserves	15,000	21,606	6,606	44.0
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	561,376	-6,231	-1.1
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	-32,542	-1,052	3.3
S31 Grants - Business Rates	-17,517	-17,719	-202	1.2
Allocation of Business Rates Pool Levies	-6,500	-7,233	-733	n/a
Business Rates -allocation from national Levy surplus	0	-519	-519	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
Market Sustainability & Fair Cost of Care Fund	-10,562	-10,562	0	0.0
Services Grant	-394	-432	-38	9.7
Total Funding	-567,607	-570,151	-2,544	0.4
Net Total	0	-8,775	-8,775	
Use of Underspend				
Contribution to Transformation earmarked reserve	0	8,775	8,775	
	0	0	0	

* Public Health funded by Grant (£27.4m)

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APPENDIX B

Revenue Budget 2024/25 – forecast main variances (provisional outturn)

Children and Family Services

Dedicated Schools Grant

There is a net overspend of £16.3m. The main variances are:

	£000	% of Budget
DSG High Needs Block (HNB) earmarked reserve drawdown	**17,027**	**n/a**
The DSG budget in the original MTFS included an estimated HNB drawdown of £17.0m as the forecast in year overspend.		
Special Educational Needs	**6,394**	**6%**
Higher than budgeted numbers of High Needs students in FE Colleges, Independent schools and mainstream schools are resulting in 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	**503**	**16%**
Secondary Education Inclusion Partnerships are supporting a growing number of secondary students.		
Specialist Teaching Service	**253**	**10%**
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 was not met.		
High Needs Dedicated Schools Grant	**207**	**n/a**
The budget included 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 £207k due to an increase in students placed in provisions outside of Leicestershire as at Spring census date than the same point the previous year.		
Early Years /Nursery Education Funding	**-5,022**	**-8%**
The Early Years budget is showing an overall underspend of £5.0m. The budget is based on the number of hours used to calculate the original 2024/25 Early Years DSG income in December 2023. Both payments and income are higher than budgeted due to the outputs of the Free Early Education Entitlement (FEEE) expansion and a higher number of 2-year-olds with working parents and a higher number of under 2s now taking up their FEEE entitlement. Changes to the methodology and timings as to when Grant income is received means part of this underspend position at the end of March 2025 will need to be ear-marked for the next term where it is likely additional spend will be incurred for those parents, we are choosing to stretch their FEEE entitlement over the full 52 weeks. The overall underspend position includes the budgeted planned underspend of £1.1m as part of the payback of previous years' Early Years deficits. The Early Years DSG deficit as at 31 March 2024 was £3.1m. The plan is to clear this deficit over 4 years which would be March 2027 at the latest.		
Schools Growth / Budget Allocations	**-1,779**	**-63%**
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.		
HNB Development Programme	**-707**	**n/a**
Reduced Programme spend on HNB development workstreams supporting Transforming SEND and Inclusion in Leicestershire (TSIL) programme vs budgeted position. Partly due to maximising grant funding received through bids made into the Change Partnership Programme (CPP) pilot - the outcome of such bids were not known at budget setting.		
Education - Medical Grounds	**-104**	**-19%**
Due to vacant posts in year.		
Other variances (under £100k)	**-443**	**n/a**
TOTAL	**16,329**	**n/a**

Local Authority Budget

The Local authority budget shows a net overspend by £8.8m (7.1%). The main variances are:

	£000	% of Budget
Children's Social Care Placements	**4,953**	**8%**
The overspend on the Children's Social Care Placement budget (£4.95m) 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 summer 2024, residential numbers increased rapidly to over 100 children. The end of year position showed 108 children in residential provision (26% increase vs budgeted MTFS projection). The financial impact overall on this budget due to the change in demand is very significant.		
Unaccompanied Asylum Seeking Children (UASC)	**1,474**	**29%**
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.		
Educational Psychology Service	**1,235**	**93%**
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 Education, Health and Care Plan (EHCP) needs assessments has further impacted the overspend position.		
Disabled Children Service	**810**	**21%**
Difficulties recruiting into vacancies within the service has resulted in an increased reliance on agency workers at a significantly higher cost (£0.3m). Remainder of overspend (£0.5m) relates to increased demand across both direct payments and commissioned support due to increasing numbers eligible and needing access to short breaks and wrap around support for this cohort of children on the edge of care.		
Social Care Children in Need - Section 17/23 support	**692**	**152%**
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'.		
Frontline Social Care Services (Child Protection / First Response / Children in Care)	**545**	**4%**
There are further budget pressures linked to frontline social care service budgets – mainly within Family Safeguarding, Children In Care and First Response due to some recent challenges with caseload management linked to incoming service demand. Firstly, key staff in First Response have been absent and due to demand, additional agency staff were agreed for a period of time. This has led to a review of longer-term need in staffing for the service. In respect of Family Safeguarding, continued struggles to recruit experienced social workers has led to recruiting more newly qualified social workers needing agency staff working alongside them for the first 12 months. This will enable the service in 12 months' time to have a suitably experienced and skilled permanent workforce. The reliance on agency will reduce after 6 months with a significant reduction in 12 months. Agency usage and appropriateness is reviewed on a monthly basis as part of business-as-usual practice.		
SEN Service Budget	**497**	**19%**
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 EHCP writing and tribunal work has resulted in a significant forecast overspend in this area. Meanwhile mediation costs remain high, adding to the overspend.		

Departmental Financial Controls / Vacancy Control Management	-1,469	n/a
As a direct response to the financial pressures which were being seen in year across the different service areas, the departmental management team undertook and continue to lead on a review of non-statutory services supported by the introduction of corporate led financial controls. Together with continued robust management and review of vacancies within the department the output of this work has delivered some net one-off in year efficiencies, and budget opportunities of £1.5m, which includes delaying recruitment to non-essential posts where appropriate, as well as maximising any grant funding to ensure such prescribed outcomes can be met in the most efficient, effective and compliant way possible. Further work is being undertaken to explore the feasibility of this work and its scope to deliver on-going future budget efficiencies.		
Other variances (net)	**22**	**n/a**
TOTAL	**8,759**	**n/a**

Adults & Communities

The Department has a net underspend of £17.3m (7.2%). The main variances are:

	£000	% of Budget
Extra Care	**220**	**60%**
Overspend due to additional changes made to the service (including floating support) after the budget was set. Additional spend is intended to assist in making progress on the savings target for service users having more higher needs by supporting through extra care.		
Homecare	**-3,811**	**-8%**
The number of home care service users and average hours had been falling since the introduction of the Fair Outcomes Panel in September 2023. The budget is based on an average of 2,690 service users (SU) per week. At the start of the year there were 2,550 SU. Over the year there has been a 4% growth in SU numbers. Average hours per SU are currently around 10.7 per week which has now reached a stable position, having fallen from around 11.2 hours a year earlier. The average cost per week per SU over the year is £340.		
Residential Care and Nursing	**-3,215**	**-3%**
There was an overspend for residential care expenditure of £0.8m due to an increase in service user numbers. There was average of 2,384 service users over the course of the year with an average of £1,095 per week. There are also fewer service users in shared lives residential placements creating an underspend of £0.350m. Residential service user income overachieved the income budget by £2.6m predominantly from clearing a backlog of financial assessments which has generated an additional one-off income. However this income may not be fully guaranteed due to charges being raised relating to the past and was offset by an increased allocation to the credit loss allowance. There is also additional of health income of £1.1m due to increasing numbers of service users with funding following the introduction of the Fair Outcomes Panel.		
Better Care Fund (Balance) / Other NHS Income	**-2,696**	**11%**
There was an additional £0.7m overachievement on the original Discharge to Assessment income budget of £2.8m from the utilisation of Discharge Grant monies which can be used to support discharge related costs from hospital. BCF Income received was £1.9m higher than the budget. In addition Discharge Grant monies were allocated for administrative costs (£80k).		
Home First	**-1,294**	**-13%**
Underspend relates to staffing vacancies. Recruitment is ongoing to ensure that the new HART delivery model (intake model) is fully staffed. This will have the benefit of increasing reablement capacity reducing the commissioning of external provision when there isn't adequate HART capacity.		
Supported Living	**-1,146**	**-3%**
There was an increase of approximately 20 service users over the course of the year which is lower than anticipated. The underspend was lower than budget as there were lower referrals coming via Care Pathway but also alternative ways to commission are being pursued from the Fair Outcomes Panel and in Group Supervisory Meetings. Currently there are 526 service users at an average cost of £1,645 per week.		

Direct Cash Payments (DP)	**-1,116**	**-2%**
Underspend due to 2.45% reduction in service users (SU) leading to a £1.2m underspend. The number of new package starts have decreased by 30%, since the introduction of the Fair Outcomes Panel leading to lower service user numbers. DP clawback was £100k lower than budgeted, and the Department is working to improve the clawback process. Currently there are 1,726 service users receiving a Cash Payment and 1,279 Carers receiving a Carers Cash Payment. Over the course of the year, the Department has actively encouraged the uptake of Personal Assistants by DP recipients. This was implemented in August 2023 but has had a slow start with numbers expected to scale up over 2025/26 with the recruitment of Direct Payments Support Team.		
Care Pathway - Cognitive & Physical Disability	**-817**	**-10%**
Various staffing underspends due to vacant posts during the course of the year, which were being recruited to.		
Community Life Choices (CLC) Commissioned Services (Day Services)	**-808**	**-9%**
An underspend from a lower number of service users than originally budgeted for due to the Fair Outcomes Panel. The budgeted average number of service users was 669, however as at March the average is 653. It should be noted however, that there has been a noticeable increase of 6% in working age adult service user numbers which are likely to be young adults which have transitioned from the Children's and Family Services Department.		
Care Pathway - Heads of Service (Integration, Access and Prevention) & Strategic	**-597**	**n/a**
Additional Better Care Fund (BCF) funding for Care Act implementation £30k. Additional Prisons Grant increase of £150k for Fosse Way Prison. Vacancies throughout the year and an underspend on staffing costs due to slippage in the recruitment of a specialist social care consultants to improve on Continuing Healthcare practices.		
Supported Living, Residential and Short Breaks Team	**-414**	**-8%**
An underspend due to difficulties in recruiting staff in the current social care market across Short Break sites leading to vacancies. A targeted recruitment campaign is underway to improve recruitment rates which should yield benefits in 25/26. Work is ongoing to improve the utilisation of the Short Breaks sites as part of departmental project. Operational improvements are required which were highlighted by the Care Quality Commission (CQC), work is ongoing to remedy this.		
Access & Digital Services	**-275**	**-8%**
Underspend on customer services due to staff vacancies (£259k) and other staff vacancies across remaining Access & Digital Teams (£72k). This is partially offset by an overspend of £56k in Adults Social Care Finance which includes additional temporary staff recruited in Adult Social Care Finance to support the processing of assessments and cases.		
Care Pathway - Learning Disability & Autism (LD&A)	**-254**	**-5%**
Various staffing underspends due to vacant posts during the course of the year, which were being recruited to.		
Social Care Investment	**-225**	**-34%**
The budget for work undertaken from other departments/external consultants for Social Care Investment Plan (SCIP) projects underspent due to a lower number of new upcoming schemes.		
Business Support & Strategy and Planning	**-205**	**-10%**
Various staffing underspends due to vacant posts during the course of the year, which were being recruited to.		
Care Pathway - Mental Health & Safeguarding (MH&S)	**-168**	**-2%**
Various staffing underspends due to vacant posts during the course of the year, which were being recruited to.		
Community Commissioned Services Income	**-130**	**0%**
Total health income exceeded the budget by £0.25m as the numbers of home care and cash payments service users with health funding grew when the Fair Outcomes Panel first came into operation and were higher than budgeted at the start of the year. There was an overall shortfall in the Non-Residential Client Income budget of £0.1m. There was additional income raised over the course of the year mainly from the one-off processing of the backlog of financial assessments. However, this income may not be fully guaranteed due to charges being raised relating to the past and was offset by an increased allocation to the credit loss allowance.		
Communities and Wellbeing	**-124**	**-2%**
Staffing underspend from vacant posts across the Communities services (£278k) offset by an overspend within Adult Learning Service (£153k) from the closure of the Transitions Learning Programme service and the Multiply Project coming to an end, higher than expected accommodation rental costs and pay award increases which were not funded by the ESFA.		
Other variances (under £100k)	**-266**	**-4%**
TOTAL	**-17,341**	**n/a**

Public Health

The Department shows a balance position, after earmarked reserves movements. The main variances are:

	£000	% of Budget
Community Delivery	**292**	**25%**
Variance mainly due to overspend on Warm Homes (+£87k) through increased expenditure and reduced income, transfer from reserve not used (+£226k) offset by an underspend on Oral Health materials (-£10k).		
0-19 Children's Public Health	**201**	**2%**
Variance due to the Agenda for Change payment (+435k) and transfer from reserve not required (+£72k) offset by Teen Health running cost underspends (-£306k).		
Mental Health	**78**	**17%**
Variance largely due to transfer from reserve not required (+£108k) offset by additional Health contributions (-£28k).		
Public Health Leadership	**-551**	**2%**
Includes additional PH grant (-£868k) to fund Agenda for Change costs plus underspend on staffing (-£175k) mainly offset by overspend on running costs (+56k) and transfer from reserve not required (+£436k).		
Sexual Health	**-214**	**-5%**
Online Sexual Health overspend (+£210k) offset by Out of Area underspend (-£145k), Contraception overall underspend (-£166k) due to reduced activity and underspend on Sexual Health Advice due to re-negotiated contract (-£112k).		
Other variances (below £50k)	**194**	**n/a**
TOTAL	**0**	**n/a**

Environment and Transport

The Department has a net underspend of £1.8m (1.6%). The main variances are:

	£000	% of Budget
Mainstream School Transport	**1,527**	**33%**
Overspend continues to reflect increased costs and reduced competition which have meant that contract prices have remained high and not been able to recover from the fuel crisis. This position reflects that of authorities across the country. Forecast includes additional cost of policy change from September 2024 to meet new DfE requirements. Overspend position includes £610k relating to growth that has been experienced over recent years due to an increased number of service users and also an increased proportion of pupils requiring taxi transport to accommodate both the increase and disparity of routes. Growth has been included in the new 2025 MTFS budget.		
Reactive Maintenance	**1,486**	**59%**
Overspend in reactive repairs to meet demands, network deterioration and comply with policy, in addition to additional costs due to recent flooding and storm damage events.		
Social Care Transport	**588**	**8%**
Overspend due to additional taxi costs that are met by an underspend on Passenger Fleet. Overspend also includes £399k due to an under reserve in 2023/24.		
Treatment and Contracts	**484**	**3%**
Overspend due to diversion from landfill into Energy from Waste (EfW) and Refuse Derived Fuel (RDF) Treatment.		
Highways & Transport - Staffing & Admin Delivery	**461**	**13%**
Overspend due to a shortfall in capital recharge income and greater overtime costs than expected, in addition to absorbed contribution from reserves for flooding (£40k) and market premia (£11k) through department underspends.		
Highways & Transport - Staffing & Admin Resourcing	**379**	**20%**
Absorbed contribution from reserves for Assisted Travel project resource (£379k) from departmental underspends.		

Environmental Maintenance	**374**	**6%**
Overspend on gulley emptying as a result of additional flooding and storm damage events in addition to absorbed contribution from reserves for flooding (£225k) through department underspends.		
Concessionary Travel	**305**	**7%**
Overspend due to additional concessionary travel reimbursement costs in 2024/25 arising from a greater number of passenger journeys and a higher reimbursement rate. This overspend is met by a corresponding underspend in local buses revenue support.		
Environment &Waste Management - Management & Admin	**251**	**10%**
Absorbed contribution from reserves £0.5m through departmental underspends partly offset by vacancies across Department and Business Management.		
Highways & Transport - Staffing , Admin & Depot Overheads	**-2,898**	**-187%**
Underspend due to additional capital recharge income, increased Highways Network Management permitting and Temporary Traffic Regulation Orders (TTRO) income, external street lighting works income, staffing vacancies, vehicle access income and highways operatives labour/overhead. This is partly offset by absorbed contribution from reserves for Commuted Sums (£127k) through departmental underspends.		
Dry Recycling	**-1,347**	**-51%**
Underspend mainly due to higher dry recycling materials income, prices higher than expected.		
Landfill	**-850**	**-21%**
Underspend due to diversion from landfill into Energy from Waste (EfW) and Refuse Derived Fuel (RDF) Treatment.		
Passenger Fleet	**-426**	**n/a**
Overall underspend due to vacant driver and escort posts, net of additional vehicle hire and maintenance costs.		
Haulage and Waste Transfer	**-327**	**-13%**
Lower bulk haulage than budgeted due to operational changes and lower fuel prices.		
Public Bus Services	**-300**	**-13%**
Underspend on local buses budget to fund corresponding overspend on concessionary travel reimbursements. (Additional BSIP grant used to fund bus service support in 24/25, while local bus budget funds overspend on concessionary travel).		
Highways & Transport Network -Staffing & Admin	**-248**	**-14%**
Underspend due to vacancies across the service area which are partly offset by a shortfall in developer income.		
SEN Transport	**-219**	**-1%**
Underspend of £0.2m due to ongoing targeted tendering work. A full review of growth allocated for 2025/26 will be undertaken in the new year.		
Development and Growth	**-186**	**-14%**
Underspend due to vacancies across the service area which are partly offset by a capital recharge income shortfall.		
Waste Management - Income	**-171**	**11%**
Increased Trade Waste Income.		
Street Lighting Maintenance	**-163**	**-6%**
Underspend mainly due to street light dimming pilot savings.		
Recycling & Household Waste	**-148**	**-3%**
Underspend due to reduced costs of recycling and household waste haulage due to operational changes and lower waste site staffing, partially offset by increased property repairs.		
Composting Contracts	**-139**	**-7%**
Reductions of composting waste tonnages due to the weather.		
Waste Management - Initiatives	**-108**	**-36%**
Underspend on environmental policies and initiatives due to reduced capacity for service delivery and lower take up of planned initiatives.		
Other variances (under £100k)	**-123**	**n/a**
TOTAL	**-1,798**	**n/a**

Chief Executive's

The Department has a net underspend of £0.8m (4.7%). The main variances are:

	£000	% of Budget
Departmental Items	**125**	**n/a**
Departmental-wide saving for staffing vacancy held in this budget. Overspend offset by underspends elsewhere in the department.		
Coroners	**119**	**7%**
Overspend due to higher University Hospitals of Leicester (UHL) costs for the winter period and an increase in the costs invoiced from Leicester City Council, largely due to a high profile inquest.		
Legal Services	**62**	**1%**
Variance is largely due to a reduced transfer from reserve (+£120k) and lower income (+£204k), offset by an underspend on demand-led budgets (-£252k).		
Growth Service	**-478**	**-38%**
Underspend largely due to staffing vacancies (-£363K), reduced spend on consultants (-£77k) and lower recharges (-£36k).		
Democratic Services and Administration	**-237**	**-16%**
Variance due to staffing vacancies (-£190k) and additional income (-£72k) from the Home Office, Leicester City Council and Committee Room hire offset by an overspend on running costs (+£25k).		
Business Intelligence	**-89**	**-5%**
Variance mainly due to additional income (-£123k) and underspend on staffing vacancies and general running costs (-£20k) offset by additional Tableau licence costs (+£52k) .		
Trading Standards	**-70**	**-3%**
Variance is mainly due to underspend on staffing (-£186k) and additional income (-£75k) offset by a transfer to reserve (+£200k) to fund the Trading Standards database implementation costs in 2025/26.		
Civic Affairs	**-62**	**-51%**
Variance mainly due to reduced number of Civic events in year (-£48k) and lower cost of running an electric Civic car (-20k).		
Management & Administration	**-52**	**-7%**
Underspend largely due to staffing vacancies (-£50k).		
Registrars	**0**	**0%**
Underspend of £200k mainly due to increased income as a result of buoyant demand for wedding ceremonies, offset by a £200k transfer to reserve to fund refurbishment work at the South Wigston Registration Office.		
Other variances (under £50k)	**-101**	**n/a**
TOTAL	**-783**	**n/a**

Corporate Resources

The Department has a net underspend of £1.1m (2.6%). The main variances are:

	£000	% of Budget
Corporate Resources Schemes	**1,360**	**n/a**
Contribution towards a sinking fund for corporate buildings including the need to move to more efficient boilers and country parks large infrastructure risks including future structural repairs for bridges and buildings.		
Corporate Resources Schemes - Investing in Leicestershire Programme	**500**	**n/a**
Contribution from the overall departmental position to help offset a loss of £1.8m that is being funded from the sinking fund relating to the divestment of certain Pooled Property investments.		
Corporate Resources Schemes - Departmental Earmarked Reserve	**400**	**n/a**
Contribution from the overall departmental position to offset one-off costs related to the relocation of the data centre to a third party host from Romulus Court.		

ICT	**-782**	**-6%**
The underspend mainly relates to vacancies within the different teams due to the difficult recruiting market for specific vacancies.		
Operational Property	**-583**	**-7%**
Reduced energy costs and staffing vacancies across several Operational Property Teams.		
Strategic Finance	**-463**	**-9%**
Vacancies and additional staffing income from recharges across Strategic Finance services.		
Commercial Services	**-248**	**-42%**
Difficult trading conditions across the commercial sector have started to ease in part due to the transformation of some of the services. Commercial services have had temporary additional funding of £1m to support them through these challenges.		
East Midlands Shared Services (EMSS)	**-240**	**-10%**
The Council's share of the EMSS underspend due to vacancies.		
Learning and Development	**-192**	**-13%**
Early achievement of savings. Underspend due to staffing and escalated controls and tightened governance on training.		
Corporate Projects	**-139**	**56%**
Reduction in requirements for project expenditure.		
Human Resources	**-139**	**-6%**
Underspend due to staffing vacancies and increase in income.		
Audit & Insurance	**-132**	**-6%**
Additional income for Internal Audit as the Leicester City Council audit contract extended and increased income from ESPO and Pensions.		
Other variances (under £100k)	**-426**	**n/a**
TOTAL	**-1,084**	**n/a**

APPENDIX C

EARMARKED RESERVES BALANCES

	Revised Balance 01/04/24 £000	Provisional Outturn 31/03/25 £000
Renewal of Systems, Equipment and Vehicles	1,414	2,157
Trading Accounts		
Investing in Leicestershire Programme (IILP)	1,046	5,763
Insurance		
General	10,259	10,625
Schools schemes and risk management	34	34
Uninsured loss fund	5,120	4,929
Committed Balances		
Central Maintenance Fund	60	1,360
Other		
Children & Family Services		
Supporting Leicestershire Families	500	500
C&FS Developments	2,134	2,309
Youth Offending	895	929
Other	111	54
Adults & Communities		
A&C Developments	1,435	1,384
Adult Learning Service	139	0
Public Health	7,032	5,822
Environment & Transport		
E&T Developments	13	13
Commuted Sums	2,425	1,866
Pan regional transport model (PRTM)	539	1,122
Waste Developments	665	561
Major Projects - advanced design	534	1,195
Section 38 Income	435	435
Other	517	545
Chief Executive		
Economic Development-General	200	200
Chief Executive Dept Developments	371	656
Other	103	103
Corporate Resources		
Community Library building contingency	340	388
Ash Dieback	288	288
Other	87	199
Corporate:		
Transformation Fund	8,920	11,993
Broadband	2,253	2,715
Business Rates Retention	568	568
Elections	501	1,351
Budget Equalisation	66,786	91,901
Carbon Neutral Investment Fund	2,000	2,000
Flooding Restoration Works	1,000	1,000
Other	5	104
Capital		
Capital Financing (phasing of capital expenditure)	154,687	129,156
Pooled Property Fund investment *	-24,766	-18,086
Schools and Partnerships		
Dedicated Schools Grant	-32,021	-48,349
Health & Social Care Outcomes	9,608	10,178
Active Together	1,242	1,062
Emergency Management	895	848
Leicestershire Safeguarding Children Board	238	235
Music Service - Arts Council England	142	141
East Midlands Shared Services - other	52	0
Leics Social Care Development Group	33	33
TOTAL	**228,839**	**230,287**

* Pooled Property Fund investments - funded from the overall balance of earmarked funds

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APPENDIX D

Capital Programme 2024/25 – main variances

Children and Family Services

Net acceleration of £4.4m:

	£000
Additional school places - net acceleration	**11,393**
Acceleration: Shepshed Iveshead - £6.8m; Hastings High School - £4.5m; Hinckley Redmoor Academy - £3m Manor High - £1.3m, Other schemes - £0.3m Slippage: Oadby Brocks Hill Primary - £1.8m as planning permission delayed until March, Robert Smythe - £1.4m; Payment subject to school claiming funding to reimburse costs Welland Park - £0.3m due to revision to the scope of works, Ibstock High School - £0.2m due to delays in planning process, Coalville Forest New Primary - £0.2m, scheme in defects period till October, Slippage of £0.5m on unallocated additional places schemes programme.	
SEND slippage	**-5,022**
£1.2m - Balance of High Needs Capital Grant to be carried forward to 25/26 to meet emerging needs. £1.0m on Birchwood Extension from delays in agreeing project scope (change of Headteacher), £0.9m on Oakfield South school from refining project scope deferring start dates £0.7m on Ravenhurst primary as completion pushed into 25/26 £0.6m on St. Botolph's from defects period coming to an end	
Strategic Capital Maintenance	**-1,195**
There are a number of smaller schemes within this area. The timing of the Easter break, and the nature of some of the works needing to be done whilst the school is closed resulted in a number of areas not being completed by 31st March.	
SCIP	**-516**
Workspace 17 - Slippage of £0.3m as this scheme has hit a number of setbacks, including contractor insolvency, vandalism and burglary at the site. This has impacted delivery timeframes and the scheme will now not be completed until at least Summer 2025. Other Schemes - slippage of £0.2m	
Schools Access & Safeguarding	**-289**
TOTAL	**4,372**

Adults & Communities

Slippage of £1.5m. The variance is as follows:

	£000
Social Care Investment Plan (SCIP):	**-1,500**
This budget relates to two extra care schemes, but these schemes have not progressed out of the planning stage as quickly as intended. This is due to the need to ensure the financial viability of the projects. Both projects are expected to progress in 2025/26.	

Environment and Transport

Slippage of £21m and a net overspend of £0.4m. The main variances are:

	£000
Restorative/Preventative Maintenance	**2,029**

Additional costs on restorative maintenance works due to the need to keep the network safe due to the deterioration of highway assets: £0.5m Roadmender works, £0.7m Carriageway Patching, £0.6m Surface dressing pre-patching, £0.2m Footways. Additional government grant funding has been included in the new MTFS for future highways maintenance.	
Melton Mowbray Distributor Rd	**-10,494**
Slippage as the latest estimated timetable for the scheme is highlighting more deliverables anticipated in 2025/26 rather than 2024/25. The programme of works remains flexible to accommodate weather events, reprioritising works to appropriate times to ensure completion of the overall programme remains on track.	
Zouch Bridge	**-1,879**
Work on the scheme is underway with latest estimation highlighting more work to be completed in 2025/26 and less in 2024/25. The programme commenced this financial year and demobilising in the winter months in line with anticipated Environmental Agency permit constraints, however design works and programme timetables works remained ongoing. The review of deliverables timetable does not highlight any concerns with completion of the programme.	
Vehicle Replacement	**-1,836**
Due to additional procurement requirement on mini buses after original supplier ceased trading, resulting in a delayed programme and delivery of vehicles.	
Recycling Household Waste Sites	**-1,601**
Slippage of £0.4m on General Improvements as Whetstone resurfacing project will commence in 25/26, Underspend of £0.2m on Lighting due to lower testing requirements, less material and staffing costs, Underspend of £0.3m on Ashby canal reed bed project because key risks have not materialised, Weighbridge - £0.3m slippage due to implementation delays in programme, Waste Transfer Station £0.2m - Contingency funding for the programme now not required until 2025/26, RHWS Externally funded £0.1m slippage	
Advanced Design	**-989**
The forecast has been aligned to the delivery of the Multi Module Area Investment Plans (MMAIP) as part of the 2025/26 MTFS process identifying slippage in the programmes.	
Externally funded schemes	**-681**
Review of spend to construction has identified slippage across a number of externally funded sites.	
Highways Capital Schemes	**-636**
Underspend due to reprioritising design work in favour of safety critical highways maintenance, in addition scheme risks haven't materialised.	
Property Flood Risk Alleviation	**-625**
Latest profile of delivery of programme with external funding bodies and assumptions of the construction works for the projects at Breedon and Diseworth requires slippage into 2025/26	
Area Office Accommodation	**-606**
Due to ongoing work regarding the Melton Depot Site and design the programme has slipped.	
Safety Schemes	**-585**
Slippage due to realignment of delivery of programmes after commencing community speed management initiative survey which evaluated 514 sites by the end of the 2024/25 financial year.	
A511/A50 Major Road Network	**-523**
Slippage due to delays in procurement in Early Contractor Involvement (ECI)	
Traffic Signal Renewal	**-508**
Procurement exercise has delayed the implementation of DfT grant funded programmes.	
Pan Regional Transport Model (PRTM)	**-458**
Slippage due to delays in model completion and formal sign off as a result of increased stakeholder involvement in assurance processes.	

Hinckley NPIF phase 4	**-302**
Underspend due to descoping of the programme, to help offset the highways maintenance additional costs. Works will now be considered as part of the local cycling and walking improvement plan in the new MTFS.	
Highways Flood Alleviation	**-215**
Delays in designing of programme has caused the delivery of the programme to be slipped to 2025/26 financial year.	
Local Electric Vehicle Infrastructure (LEVI)	**-179**
Slippage due to parts of programme delivery slipping into next year.	
M1 J23/A512 Improvements	**-154**
Due to less costly snagging works being required than anticipated there is an underspend of £0.1m on M1 Junction 23.	
Other variances	**399**
TOTAL	**20,641**

Corporate Resources

Net slippage of £1.8m and an underspend of £0.5m. The main variances are:

	£000
Ways of Working	**-400**
Underspend of £0.3m on Office Infrastructure due to latest estimations of works remaining costing less than previously anticipated. Additionally slippage of £0.1m relates to works reprofiled to 25/26.	
ICT - End User Device Refresh	**-485**
Slippage from review of laptop replacement programme to increase longevity of End User Device fund beyond MTFS period.	
Climate change - Environmental Improvements	**-704**
Slippage of £0.4m as awaiting design of Fleet Transition plan. Slippage of £0.2m as awaiting outcome of match funding bids and underspend of £0.1m from completion of works at Glebe house.	
Property Services slippage	**-658**
Slippage due to revised dates for completion of the Tree planting programme £0.1m, Data Centre Replacement £0.1m, Snibston Ancient Monument £0.1m, other minor schemes £0.3m and a £0.1m underspend	
Other variances	**-91**
TOTAL	**-2,338**

Corporate Programme

Net slippage of £14m. The main variances are:

	£000
Airfield Business Park - Phase 3-4	**-6,199**
Slippage as project spend reprofiled due to delays with signing build contract.	
Lutterworth East - Planning and Pre-Highway construction Works	**-3,227**
Following a review of the programme over the Summer, the revised profile of works shows a rephasing of spend into 2025/26 and 2026/27.	
Lutterworth Leaders Farm - Drive Thru Restaurants	**-2,732**
Slippage - due to requirement to obtain highways approval for a pedestrian crossing on the A4303 dual carriageway.	
Lutterworth East - SDA	**-500**
This scheme has not progressed so the H&T fees budget has slipped to 25/26.	
M69 Junction 2 - SDA	**-357**

Works have been rescheduled into 2025/26 due to ongoing delays in connection with Blaby DC Local Plan being approved.	
County Farms Estate slippage	**-350**
Industrial Properties Estate slippage	**-303**
Quorn Solar Farm	**-250**
Other variances	**-104**
TOTAL	**-14,023**

APPENDIX E

PRUDENTIAL INDICATORS 2024/25

	Original Indicator	Provisional Actual as at 31/03/2025
Capital Expenditure	£157.0m	£134m
Capital Financing Requirement	£195.0m	£195m
Actual Capital Financing Costs as a % of Net Revenue Stream	3.1%	4.1%
Net income from commercial activities as a % of net revenue stream	1.0%	0.9%
Operational Limit for External Debt	£221.0m	£221m
Authorised Limit for External Debt	£231.0m	£231m
Liability Benchmark – Gross loans requirement	£-3.0m	£-191m
Actual debt as at 31/3/2025 (£000's)	£214.2m	£175m

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Investing in Leicestershire Programme – 2024/25 Q4 Update

Asset Class	Opening Capital Value [1]	Capital Incurred (returned) 2024/25	Change in valuation	Q4 24/25 Capital valuation [2]	Net income YTD	Budget Net Income FY	Variance to Budget	Actual net income return % [3]	Since Inception IRR [4]
	£000	£000	£000	£000	£000	£000	£000	%	%
Direct Commercial Holdings									
Development	40,600	2,005	0	42,605	-255	-109	-147	-0.6%	
Rural	81,776	0	0	81,776	114	265	-151	0.1%	
Offices inc County Hall [5]	62,321	248	0	62,569	3,883	3,874	9	6.2%	
Industrial	25,833	0	0	25,833	1,227	1,475	-248	4.8%	
Other	4,727	0	0	4,727	207	226	-19	4.4%	
Direct Holdings	**215,257**	**2,253**	**0**	**217,510**	**5,177**	**5,732**	**-555**	**2.4%**	
Diversifier Holdings									
Private debt MAC 4 2017	4,538	-2,672	403	2,269	71			2.1%	5.1%
Private Debt MAC 6 2021	20,559	-3,532	-3,747	13,281	1,557			9.2%	7.3%
Private Debt MAC 7 2023	5,661	1,190	628	7,479	0			n/a	too early
Private Debt - total	30,758	-5,014	-2,715	23,029	1,629	811	818	6.1%	5.8%
Pooled Property	20,728	-5,040	403	16,091	657	557	100	3.6%	2.1%
Pooled Infra Fund	8,706	0	36	8,742	477	282	195	5.5%	3.7%
Pooled Bank Risk Share	16,801	-2,512	-1,638	12,651	3,432	1,168	2,264	23.3%	14.6%
Additional sinking fund					**-2,822**		**-2,822**		
TOTAL (All IiLP)	**292,249**	**-10,312**	**-3,915**	**278,022**	**8,550**	**8,550**	**0**	**3.0%**	
TOTAL exc development and rural	**169,873**	**-12,317**	**-3,915**	**153,641**	**8,691**	**8,393**	**298**	**5.4%**	

1. Opening valuations based on market valuations not historic cost
2. Direct property is valued annually at year end, Q2 information not yet available for the diversifiers
3. In year actual net income return % is based on the opening capital value and in year net capital and valuation change
4. IRRs for diversifier investments, private debt and pooled property are the combination of all underlying investments in the relevant asset class.
5. Rented areas only for County Hall