



Meeting: **Scrutiny Commission**

Date/Time: **Monday, 10 November 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)

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

SUPPLEMENTARY AGENDA PACK

Item

10. Medium Term Financial Strategy Monitoring (Period 6).

Report by

Director of
Corporate
Resources



This page is intentionally left blank



SCRUTINY COMMISSION – 10 NOVEMBER 2025

2025/26 MEDIUM TERM FINANCIAL STRATEGY MONITORING (PERIOD 6)

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. The purpose of this report is to provide members with an update on the 2025/26 revenue budget and capital programme monitoring position as at the end of Period 6 (the end of September 2025).

Policy Framework and Previous Decisions

2. The 2025/26 revenue budget and the 2025/26 to 2028/29 capital programme were approved by the County Council at its budget meeting on 19 February 2025 as part of the Medium Term Financial Strategy (MTFS).
3. The four-year capital programme was reviewed over the summer and an updated programme was approved by the Cabinet on 12 September 2025.

Background

4. The period 6 revenue budget monitoring exercise shows a net projected overspend of £2.9m.
5. The period 6 capital programme monitoring exercise shows net acceleration of £0.3m.
6. The monitoring information contained within this report is based on the pattern of expenditure to the end of September 2025.

2025/26 REVENUE BUDGET MONITORING – PERIOD 6

7. The Period 6 revenue budget monitoring exercise shows a net forecast overspend of £2.9m. A summary of the position is shown below and is set out in more detail in Appendix A.

REVENUE BUDGET MONITORING STATEMENT
FOR THE PERIOD : APRIL 2025 TO SEPTEMBER 2025

	Updated Budget	Projected Outturn	Difference from Updated Budget	
	£000	£000	£000	%
Schools Budget – Schools and Early Years	0	-360	-360	
Schools Budget – High Needs	0	46,100	46,100	
Net Total	0	45,740	45,740	
Children & Family Services (Other)	145,393	157,043	11,650	8.0
Adults & Communities	252,616	250,486	-2,130	-0.8
Public Health	-2,746	-2,746	0	0.0
Environment & Transport	122,819	118,869	-3,950	-3.2
Chief Executives	17,441	16,911	-530	-3.0
Corporate Resources	41,218	40,858	-360	-0.9
Capital Financing	14,633	13,033	-1,600	-10.9
Contingency for Inflation	8,037	136	-7,900	-98.3
Other Areas	-3,023	-8,773	-5,750	n/a
Contributions to earmarked reserves	22,600	35,800	13,200	58.4
Contribution to General Fund	1,000	1,000	0	0.0
Contribution from budget equalisation reserve to balance 2025/26 revenue budget	-4,653	-4,653	0	0.0
Total	615,335	617,965	2,630	0.4
Funding	-615,335	-615,095	240	0.0
Net Total	0	2,870	2,870	

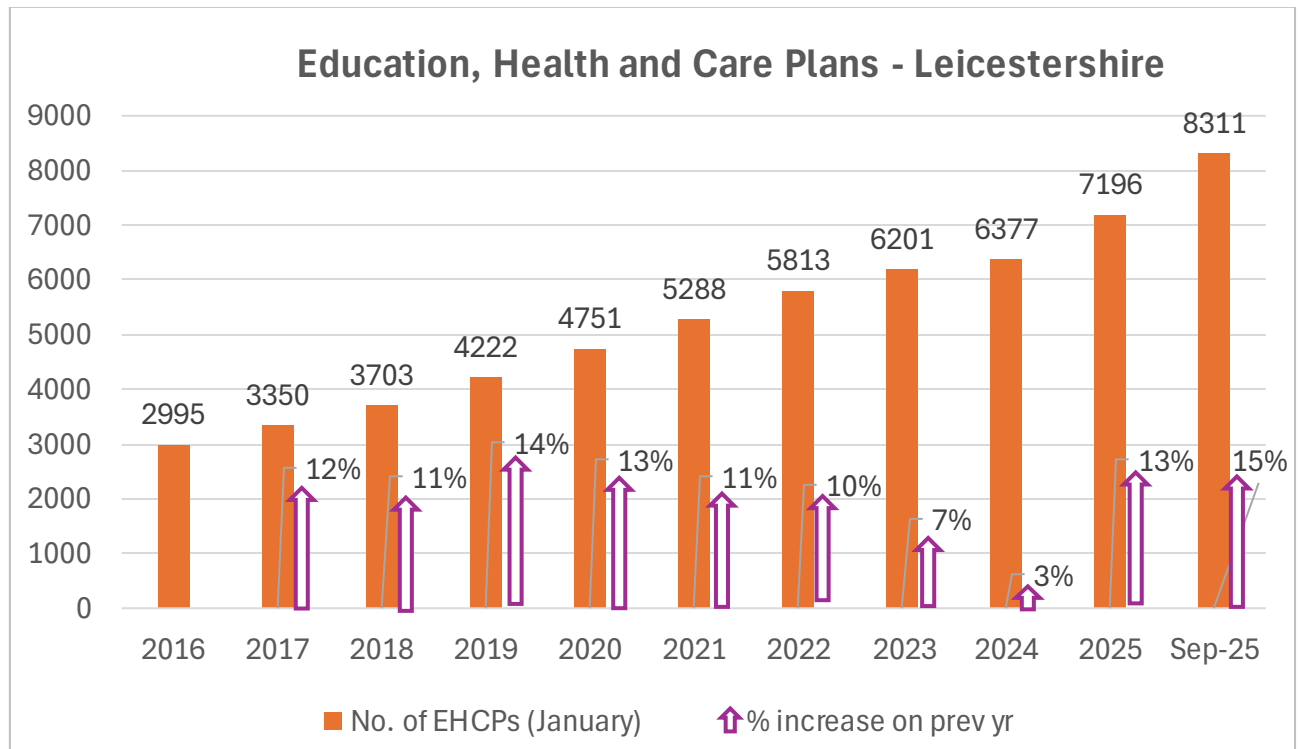
8. The key projected variances that have been identified are set out below. Further details of major variances are provided in Appendix B.

Children and Family Services (C&FS) – Schools Budget

9. Overall there is a net projected overspend of £45.7m on the Dedicated Schools Grant (DSG). This comprises an overspend of £46.1m on the High Needs Block, offset by a projected underspend of £0.4m on the Early Years Block.
10. Due to sustained year-on-year growth in demand for funded Education Health Care Plans (EHCPs) since they were introduced in 2014, a £15m overspend on the HNB budget was anticipated after mitigations for the 2025/26 financial year based on a 7% increase in EHCPs from the previous year. The current High Needs Block projected overspend is c.£31m more than the budgeted £15m in year overspend. This is largely due to increased volume/demand on the placement budget versus budgeted assumptions based and set on Autumn 2024 data / intelligence.
11. Since that position, overall demand through the front door has continued to rise, which is further illustrated in the chart below, which shows active EHCPs over time by calendar year. Currently there are 8311 EHCP's, a 15% increase since January 2025, and 177% increase in EHCPs since January 2016. Whilst further and on-going

analysis of both demand and costs are actively underway as part of MTFs planning, which will include a greater understanding of the number of EHCPs and children on a funded package, it is anticipated demand for funded packages will reach an average over the financial year of 8,500 by March 2026 (c.20% increase versus budgeted position post mitigations). Recent increases in demand are being seen nationally and are likely a result of uncertainty on future SEND reform caused by the anticipated Government Schools White Paper.

Number of children and young people with Education, Health and Care Plans (EHCPs) in Leicestershire



12. Whilst there is still several variables and uncertainties which may result in changes in either demand and costs, this is under constant review and challenge with the appropriate governance and oversight in place. At the end of 2024/25 the accumulated High Needs deficit stood at £64.4m and is now projected to rise to £110.5m at the end of 2025/26. If future demand remained on a similar trajectory to 2025/26, the cumulative DSG deficit could increase to upwards of £400m by March 2030.
13. Whilst the Government's Schools White Paper is expected to result in systemic changes to the national SEND system, such changes will take several years to deliver, and none appear to directly address the current or forecast funding issues. The White paper was expected in the Autumn 2025, however, the government has recently announced that this has been delayed to "early in the new year".
14. The Transforming Schools in Leicestershire (TSIL) change programme was established in August 2022 with partners across the SEND system supported by a third-party partner, Newton Impact. While the programme has now formally concluded, it has played a crucial role in helping Leicestershire manage the financial

pressures of supporting children and young people with SEND and has been a key enabler in delivering a forecasted MTFS saving / cost avoidance of £34m by March 2029. For example, pre-TSIL, the proportion of children and young people with EHCPs placed in mainstream schools was an average of circa. 42% of the total number of EHCPs between 2020/21 to 2022/23. The impact of TSIL on the proportion of placements now made in mainstream schools is significant, with circa. 50% of EHCPs projected to be for children and young people in mainstream schools in 2025/26, and a reduced proportion of placements in more specialist placements. Without such impact, the financial pressure would be significantly larger than currently forecast this financial year.

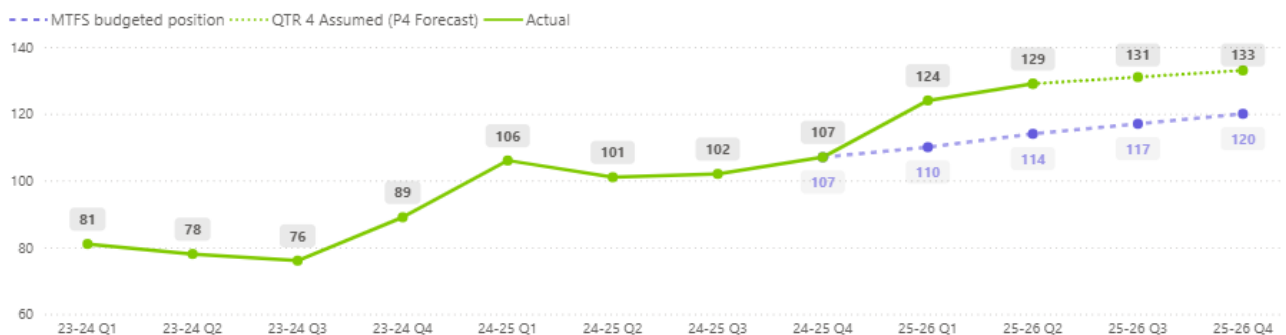
15. The rising demand for EHCPs places increasing pressure not only on direct provision but also on the broader service infrastructure that supports children and young people with additional needs. Services such as Educational Psychology Services (EPS), Special Educational Needs Assessment (SENA), and Specialist Teaching Services (STS) are experiencing heightened caseloads and resource strain. This surge in demand has a consequential financial impact that spans both the Dedicated Schools Grant (DSG) funded blocks - particularly the High Needs Block - and local authority (LA) funded services, creating sustainability challenges across the system.
16. The DSG funding allocated for high needs is not keeping pace with the rising demand for services such as Specialist Teaching Services (STS), placing additional financial strain on such budgets, and combined with increased demand on the service is resulting in a projected overspend position of £0.7m across the high needs block funded Specialist Teaching services.
17. Despite current mitigations, the levels of projected growth mean that the financial position is unsustainable. As such it is essential that the planned measures to contain ongoing growth are successful. Further mitigations and actions are actively considered to reduce the projected financial burden on the DSG High Needs funding block. This work is currently underway and its impact will be reflected as part of the wider MTFS planning work over the coming months.
18. In developing additional mitigations, consideration is being given to aligning actions to anticipated changes in the Schools White Paper. Whilst the actual content of this paper is unknown, through the work the authority is undertaking for the DfE as part of the Change Programme Partnership, the Council are aware there will be a key focus on 'mainstream inclusion'. This will include working with all mainstream schools to ensure there is a much stronger emphasis on children and young people with complex and significant needs attending their local mainstream school wherever possible. To deliver this new approach, it will require the full co-operation of school leaders and their close partnership working with the Council and each other.

Children and Family Services – Local Authority Budget (Other)

19. The Local Authority budget is projected to overspend by a net £11.6m (8.0%), mainly relating to projected overspends on the Children's Social Care Placements budget (£9.7m), the Disabled Children's Service (£1.2m) and the Education Psychology/SENA Service (£1.2m).

20. The projected net overspend on the Children's Social Care Placement budget (£9.7m), comprising both of Unaccompanied Asylum-Seeking Children (UASC) and non-UASC placement costs, is largely due to a small but financially significant 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 2026 to be at 120 children (includes parent and child placements). Trend and demand analysis at the time of budget setting, and then subsequently until the end of quarter 4 of 2024/25, showed demand remaining relatively stable.
21. However, as illustrated in the graph below, numbers to date during 2025/26 have risen sharply. As at the end of quarter 2 numbers in residential provision stand at 129, and current projections assume by the end of the financial year this number could rise to 133 (11% increase versus budgeted mitigated position in terms of overall volume).

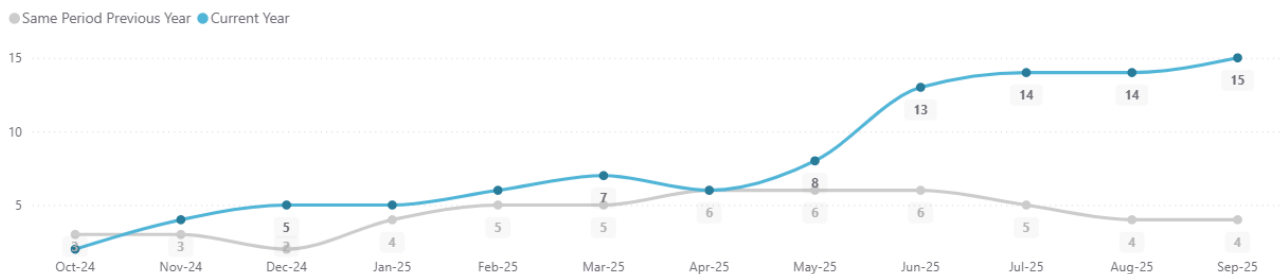
Number of unique mosaic ID's requiring a residential placement at the end of the period



22. Of this overall increase in numbers, a small but financially significant increase in the number of unregistered and activity placements can be seen from May 2025 (see graph below). Unregistered placements are used when no other option is available and are more costly than registered residential placements, with the average weekly cost of such provision ranging from between £13k to £17k over the last 12 months. The current placement budget allows funding for up to five children in this provision type over the financial year.

Number of unique mosaic ID's requiring an unregistered or activity placement in the month.

** Placement figures reflect monthly demand of young people requiring that placement type, not the number placed at any one time or for any specific duration.

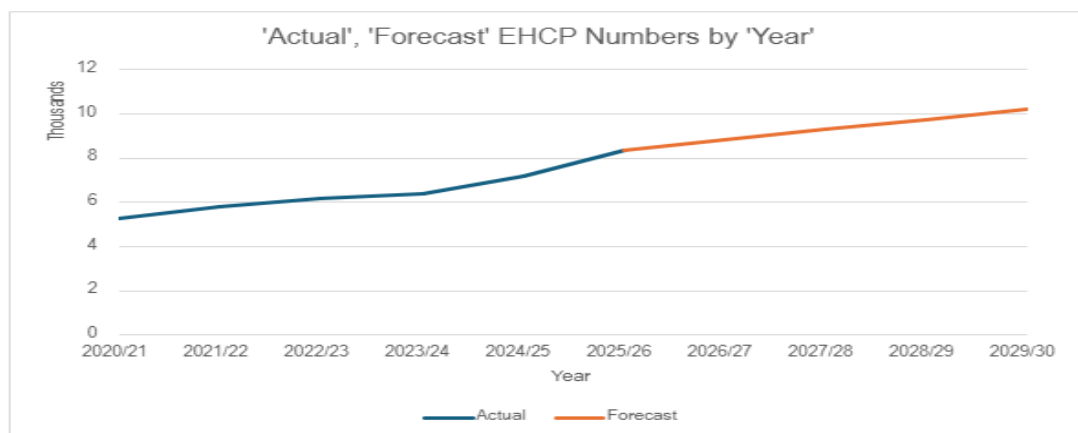
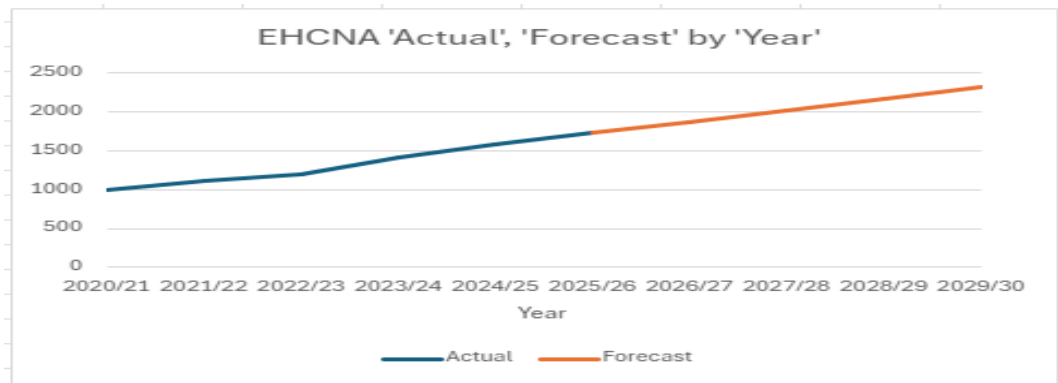


23. Over the past four years the numbers of children who have started in unregistered and activity provisions has been relatively low. This financial year children needing to be supported in such provision types represents a c.100% increase versus the average of the last four years. Often such provision types are the only options available for some children with the most complex needs who come into the Council's care or

require an emergency placement. Due to a national and local placement sufficiency pressure the Council is often left with no choice in the placements that can be brokered for children. They are often the most expensive due to them taking children with complex mental health, absconding and criminal exploitation risks and the emergency nature in which the child is placed. As at end of quarter two 2025/26, there are 15 children in unregistered/ activity placements, the highest number the Council has ever had (200% increase versus budgeted position).

24. For all children in activity / unregistered placements, searches are regularly undertaken to source a registered provision. However, there is currently a gap in the market to support these children and work needs to be undertaken with providers with a view to how they can support within the remit of their Ofsted registration. Often providers are unable to care / continue to care for children due to complex needs.
25. All children in unregistered placements have oversight from senior managers in the Department and their circumstances and progress of placement searches are discussed in a weekly meeting chaired by the Assistant Director. For most, the period in unregulated or unregistered provision is short term, but for children with the most complex needs it is more challenging to secure a registered home and if successful to maintain them there. In the last 12 months, nine of the children who were placed in either an activity placement or an unregistered placement for a period have now moved into a registered home at a lower weekly cost.
26. Also, of note and of financial significance due to a very unique set of challenges and issues (sufficiency & need), is the need to place a small number of children in secure provision this year, which is determined by the court. This provision has a very high weekly cost, in the region of £30k per week (historically the upper limit of costs of such provision type has been no more than £15k per week). Whilst this is a small number of cases it contributes disproportionately to the overall projected in year overspend position.
27. 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. In conjunction with CFS's smarter commissioning MTFS programme of actions, this is showing a positive trajectory in terms of current weekly unit costs compared with the budgeted position. This can be evidenced through a 15% reduction in average unit cost for UASC care leaver placement costs over the last 12-18 months.
28. Other departmental variances include: a projected overspend on the Disabled Children's Service of £1.2m. This is linked to increased demand of support across both direct payments and commissioned services. The Children's Innovation Partnership with Barnardo's will see the creation and opening of an overnight short break unit by the end of 2025, to support children with a disability, and ensure such demands in this area can be managed in the most appropriate and cost-effective manner.

29. The Education Psychology/SENA service is projected to overspend by £1.2m in 2025/26. As illustrated in the graphs below, continued increased demand due to an increase in the number of EHCPs and EHCNAs (Education Health Care Needs Assessments) has further impacted the overspend position within these service areas due to increased caseloads. There has been a 25% increase in EHCNAs since January 2025. The medium to long term impact of current demand on this service is currently underway for the purpose of MTFS future planning.



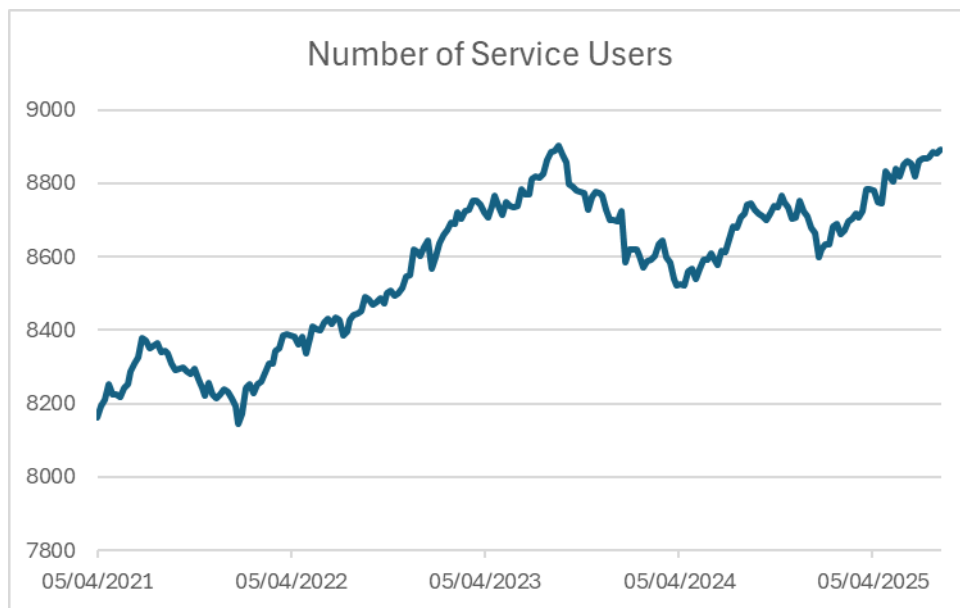
30. As a direct response to the financial pressures which are being seen in year across the different service areas, the departmental management team undertook, and continue to lead, on a review of non-statutory services supported by the introduction of corporate led financial controls. Together with 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 £0.9m. 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 and its scope to deliver on-going future budget efficiencies.

Adults and Communities

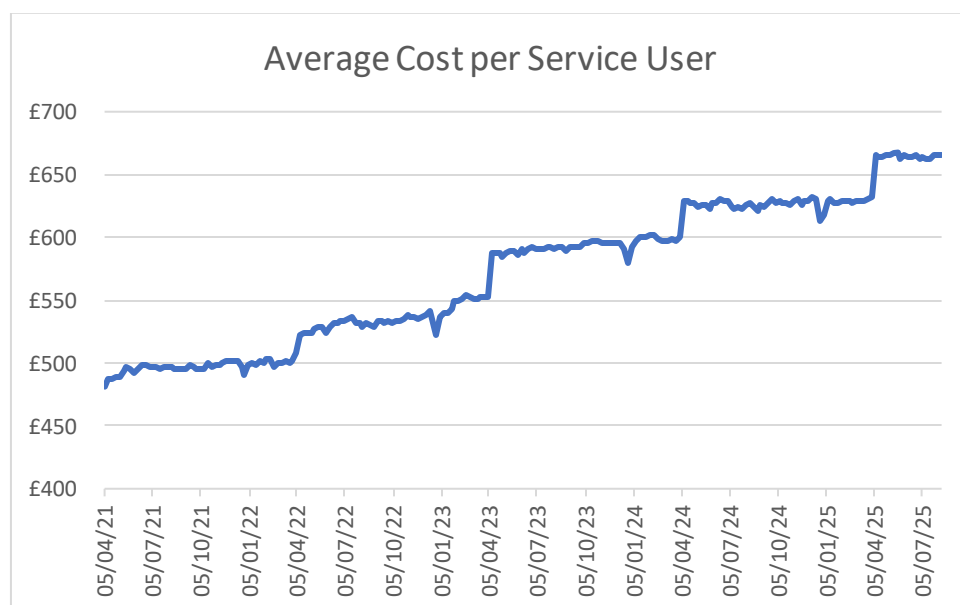
31. A net underspend of £2.1m (1%) is forecast for the revenue budget for 2025/26.

Overall Demand Trends

32. 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 2022 through to August 2025. Prior to the introduction of the Fair Outcomes Panel 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. As a result the growth in service users supported has decreased to an annualised rate of 2% over the whole period. Over the course of the next year there is expected to be additional demand from reducing the number of cases that are awaiting to be allocated to social care teams.



33. The average cost per service user rose over the same time period. The rise from April 2025 relates to the annual fee review uplift. Uplifts occur in April each year.



34. The department has established a wide-ranging demand management programme and a panel to review care packages since September 2023 which is having an impact on all commissioned services.
35. The main areas of budget variance forecast in 2025/26 are:

Residential Care - £1.0m overspend

36. There is an overall forecast overspend for residential care of £1.0m. Service user numbers were broadly flat for the first quarter of the financial year. However, since July the service user numbers have risen by approximately 30 causing a forecast overspend of £1.6m in expenditure. The overall average for the year is forecast to be 2,465 service users per week costing an average of £1,165 per week. Offsetting the overspend is a surplus in the service user income budget of £0.8m primarily from recent charging runs showing a 7% increase in weekly chargeable income from service users. Health income is forecast to be £0.2m below budget due to numbers of funded service users being lower than budgeted.

Supported Living - £0.8m overspend

37. There are estimated to be between 20 new service users over the course of the year which represents a decrease since Period 4 and is below the long-term historic trend. Higher service user numbers were incurred after budget setting for 2025/26. The budget is based on total of 530 service users over the course of the year and currently there are 540 service users at an average cost of £1,780 per week.

Direct Cash Payments - £0.5m overspend

38. The clawback of unspent funds, which is conducted as an ongoing process over the course of the year, has been disrupted by issues with the Council's Direct Payment Card Provider. It is expected that normal service will be resumed shortly, but the issue has impacted on the overall monies which have been clawed back to date.

Adult Learning - £0.4m overspend

39. Forecast overspend due to a reduction in grant funding announced in April 2025 of £0.2m. HR action plans prepared to deliver savings but expecting overspend in operational costs and £0.4m exit costs from restructure. Additional income of £0.2m has been obtained through a national insurance rebate and the Connect To Work grant, offsetting the overall overspend.

Homecare - £1.0m underspend

40. Service user numbers have fluctuated broadly to near levels observed at the start of the financial year and have not yet increased as expected. In April 2025 service user numbers were 2,705. Currently there are 2,720 service users. The winter period may increase service user numbers, reducing any underspend.

Home First - £1.0m underspend

41. The underspend is primarily from vacant support worker posts within the HART (reablement) Service that are in the process of being filled. Recruitment is ongoing as part of the department's plan to increase the HART workforce to enable more cases to be retained by the service thereby requiring fewer referrals to the external Homecare sector, which should generate better longer-term outcomes for the department. Recruitment, however, remains difficult within the social care market.

Better Care Fund (Balance) / Other NHS Income - £0.7m underspend

42. Discharge to Assess income of £1.7m which can be used to support discharge-related costs from hospital are expected against a budget of £2.8m due to lower activity. Better Care Fund income from the minimum contribution to the Council is £1.8m above the budgeted amount.

Care Pathway - £0.6m underspend

43. Staffing vacancies both within the Cognitive and Physical Disability and Learning Disability and Autism care pathway teams reflect the current difficulties in recruiting the appropriate adult social care staff.

Non-Residential Income - £0.5m underspend

44. Increased Health income of £0.8m is expected from existing Supported Living service users, who receive a health contribution towards their packages. In addition, there is a further £0.3m of health income forecast from other demand led areas. Non-residential client income is forecast to be lower than budgeted by £0.6m primarily from the number of chargeable service users not increasing over time.

Supported Living, Residential and Short Breaks - £0.4m underspend

45. It is difficult to recruit staff in the current social care market across the Council's Short Break sites. A recruitment campaign is ongoing to fill vacancies which will allow the Short Breaks sites to increase its capacity which is linked to an MTFs saving. A plan for continuous improvement is in place focused on driving up quality taking into consideration learning from the Care Quality Commission across all service areas
46. The net underspends above are increased by a net £0.6m underspend mainly from staffing vacancies and other minor variations.

Public Health

47. The department is forecasting to be on budget.

Environment and Transport

48. A net underspend of £4.0m (3.2%) is forecast.

49. Across Highways and Transport operations a net £1.7m underspend is forecast as a result of:
- SEN Transport is currently forecasting a £1.6m underspend arising from contract savings following the SEN transport summer refresh, however, there is a risk that costs could potentially increase in 2025/26 by £0.8m if 44% (a figure based on historical data) of the 406 pupils, who currently have an active EHCP but no school provision require transport to attend their allocated school.
 - Social Care Transport - £0.8m overspend arising from increase in taxi spend as a consequence of insufficient service provision within Passenger Fleet.
 - Passenger Fleet – £0.6m underspend due to vacant driver and escort posts, net of additional vehicle hires and maintenance costs.
 - Network Management - £0.2m underspend arising from additional permitting income from utility companies.
 - Highways income - £0.3m underspend arising from increased Vehicle Access income.
 - Reactive Maintenance - £0.3m overspend arising from additional costs to meet policy from continued deterioration of highways assets.
 - Highways and Transport Vacancies - £0.1m underspend.
50. Development and Growth services are reporting a £0.5m underspend arising from vacancies across teams (£0.4m) and school crossing patrols (£0.1m).
51. There is a net underspend of £1.5m reported for Environment and Waste Management services caused by additional income from the sale of dry recyclable and trade waste (£0.5m), lower composting tonnage (£0.3m), underspends arising from staffing vacancies (£0.2m), changes to Waste treatment including diverting waste away from landfill (£0.5m) and associated haulage (£0.1m), partially offset by provision for Charnwood Geopark (£0.1m).
52. The remaining balance relates to an underspend on department and business management due to staffing vacancies (£0.3m).

Chief Executive's

53. The Department is reporting a forecast net underspend of £0.5m (3.0%), mainly due to staffing vacancies within the Growth Unit (£0.3m) and reduced casual staffing costs and additional income within Registrars (£0.2m).

Corporate Resources

54. A net underspend of £0.4m (0.9%) is forecast.
55. Early delivery of future savings (totalling £0.4m) across both Property Services and IT, together with underspends arising from staffing vacancies (£0.6m), reduced utility costs across the estate (£0.2m) and increases in internal income (£0.1m) have been offset by delays in current-year savings delivery (£0.1m) and property disposals (£0.1m). Underspends on software licenses and IT peripherals (£0.1m) are being used to fund the one-off cost of an external review of software infrastructure (£0.1m).

56. Despite an improved position, Commercial Services continue to report a shortfall against their target income (£0.7m). Trading remains difficult mainly due to the financial position of schools, which is impacting on demand for Commercial Services such as School Food, Bursar and LEAMIS services. This has also impacted school bookings at Beaumanor Hall, which are further compounded by its temporary closure during the late spring/early summer.

Central Contingencies

57. MTFS Risks Contingency (£8m). No release of the contingency has been assumed in the projection at this stage but it can be used to manage the overspend position if other mitigations are not successful. The remaining balance of the contingency will be transferred to corporate earmarked reserves to assist with addressing the projected MTFS budget gaps in future years.
58. Inflation Contingency (£8m balance after transfers of £26.4m to departmental budgets). The contingency is currently projected to be underspent by around £7.9m in the current year. This mainly relates to forecast lower costs on social care fee reviews than anticipated in the MTFS, along with lower forecasts on running costs, particularly regarding provision for the impact of National Insurance increases on supply chain costs. Also, the pay award for 2025/26 of 3.2% is lower than the provision of 3.5% made in the MTFS. The position on a number of other requirements on running cost inflation should become clearer as the year progresses so at this stage there is some uncertainty in this estimate.
59. Service Investment Fund. This budget (£1.2m) has been transferred for 2025/26 purposes to the Environment and Transport budget, to be used for flood investigation and scheme development work to address flooding as well as bidding for funding for project delivery. It will also provide capacity to administer Government flood-related grant funding.

Central Items

60. The Financing of Capital budget is forecast to be underspent by £1.6m. This mainly relates to debt interest savings following the early repayment of £29m of external debt principal in September 2025. Following elevated gilt yields at historic highs caused by inflation remaining stubbornly above the Bank of England's target of 2% and the expectation of tax rises in the Autumn Statement there had been an increase in the discounts available for the premature repayment of PWLB debt, which will then lead to annual savings in interest payments for the next 30 years in excess of the premiums paid. The Council's actual level of debt now stands at £146m, the lowest level for over 20 years. Compared with the capital financing requirement (the level of historic capital expenditure required to be funded) the Council is now forecast to be £48m underborrowed as at 31 March 2026, which can be funded using internal investment balances rather than more expensive external borrowing.
61. Bank and other interest, £4m forecast increased investment income. Due to the Bank of England base rate levels being higher and for longer than forecast, and higher than estimated average Council cash balances. The Bank of England base rate stands at

4%, subject to a review on 6 November, with market forecasts of one further reduction being in quarter one of 2026.

- 62. Central expenditure budgets are currently forecast to underspend by £1.8m, mainly relating to the cleansing of receipted aged purchase orders that are no longer required and an increased dividend from forecast ESPO.
- 63. Additional contributions to corporate earmarked reserves of £13.2m. This mainly relates to an additional contribution to the Budget Equalisation reserve to provide additional cover for the increase in the forecast High Needs Block deficit.
- 64. The original MTFS projected a net gap in 2025/26 of £4.7m which was planned to be covered by a contribution from the Budget Equalisation reserve. Given the current forecast position, that contribution is shown as still being required.

Business Rates

- 65. Reduced Business Rates Pool levy income of £0.3m is forecast for 2025/26. The current forecast based on data in the NNDR1 forms and updated forecasts from five of the seven district councils shows a total of £23.1m, of which one third (£7.7m) will be allocated to the County Council, compared with the forecast of £8.0m included in the 2025/26 budget to fund the capital programme. Monitoring of the 2025/26 Pool will continue, with the next exercise taking place during January 2026.

MTFS 2026-2030 and Efficiency Review

- 66. The Council's current MTFS shows a budget gap of £90m by 2028/29, with almost £40m of that falling in 2026/27. This is currently being refreshed but the significant uncertainty over the impact of the Spending Review, Fair Funding proposals and national public sector finances are making this challenging. MHCLG were due to release a policy statement in September giving further information on Fair Funding but this has been delayed until at least later this month. Whilst initial indications from the proposals released over the summer appeared to be more favourable for County Councils than anticipated, there are indications that this may be under review by government and therefore subject to change.
- 67. Against this funding uncertainty the Council is seeing continued demand pressures, particularly in Children's social care and SEND although this may be partly offset by lower inflation and savings from the 2026 pension revaluation.
- 68. This section of the report provides the Commission with an update on the external efficiency review, which is designed to support progress in closing the current gap in the Council's finances ahead of the 2026/27 budget and MTFS being presented to the County Council for approval in February 2026 and future financial years.
- 69. Whilst a range of savings opportunities are being explored by the Council the scale of the challenge requires a more intensive focus to ensure all options are considered, hence the need for external challenge and support. This will provide expertise and experience to bring best practice approaches from elsewhere in the sector that the Council could not realistically employ directly. There are different ways to achieve this.

Following consultation with the Leader his preferred way forward, considering the size and persistence of the financial challenge, was to appoint an experienced consultancy to perform an unconstrained review of the Council's activities. The consultancy would be required to perform a comprehensive review of the Council's cost base, completed at pace, to identify options to reduce costs or generate income. This will allow the identification of options to close the financial gap and create a revised transformation programme for the Council.

70. To provide the option of a rapid move to implementation the contract will be structured in a way that includes an option for the Council to commission further support to implement the recommendations arising from the review if and when appropriate. Without a significant change in approach to delivering savings it is unlikely that the 4-year MTFS gap can be closed completely and still meet statutory duties without some level of service reductions or alternative delivery models.
71. A tender was launched in early September 2025 with a call-off under Crown Commercial Services (CCS) Management Consultancy Framework MCF4 as the procurement route. The framework includes a list of pre-approved suppliers which have already been through a competitive process to ensure that they have the required skills and experience to deliver the required service. This allowed the Council to undertake a procurement process in a compliant way, from a pool of trusted suppliers, with 36 suppliers appointed by CCS under the lot being used by the Council.
72. The Council opted to run a mini-competition using the framework, which invited all suppliers appointed under the relevant lot of the framework to bid and required them to set out how they could meet the requirements and at what cost. The Council's requirements are structured into two phases of work:
 - a. Phase 1 - to perform an unconstrained review of Council activities to identify how the MTFS gap could be closed through cost reductions, service changes or additional income.
 - b. Phase 2 - (an optional phase) to provide implementation support for the recommendations arising from the review that the Council decides it needs support to deliver.
73. Phase 1 also required the successful bidder to review the Council's existing change projects and its Transformation Unit. The deliverable will be a prioritised list of savings options and a revised Transformation Programme.
74. The Council's requirements are structured in a way that only commits the Council to Phase 1. A separate decision will then be taken by the Cabinet at the conclusion of the review to determine what support, if any, is needed after Phase 1. If the Council chooses to engage the Provider's support under any phase 2 projects, this will be agreed with the successful provider based on the rates, discounts and commercial model tendered by them. Combining these elements into a single procurement exercise allows a quicker transition to implementation as further procurement activity is avoided.

75. Following a bid evaluation process by a panel of officers representing service departments, Corporate Resources, the Transformation Unit and IT, Newton Consulting Ltd were identified as the preferred bidder.
76. The cost of the phase 1 review is £1,434,180 with a discount of £250,000 if the Council proceeds to implementation of the recommendations from the review and engages the supplier to support that phase. This can be funded from the Transformation reserve which is used to fund invest-to-save activity to support the Council's MTFS and improvement projects.
77. The key elements of Newton's bid supported their selection were:
- Breadth of experience delivering significant annual savings.
 - Well-resourced team with significant relevant experience and the ability to draw on experiences across sectors.
 - Detailed plan that gave high confidence in the ability to undertake all the elements of the Review to the required standard.
 - Proposed approach supported a prompt move from review to implementation.
 - Strong approach to tracking benefits and ensuring they are sustained
 - 100% of implementation fees linked to delivery of savings.
 - Newton guarantee that the ongoing annual benefit will be greater than their one-off fee.
78. Appendix F contains the high-level plan for the review, key elements are as follows:
- A 4-week mobilisation period to extract data, secure resources and establish governance arrangements.
 - Review of existing MTFS projects by week 4 of the review stage, to identify opportunities to increase or speed up delivery.
 - Development of all savings initiatives completed by week 12.
 - Review of the existing Transformation Unit by week 12, to ensure implementation can be supported in the most cost-effective way.
 - Creation of 3-year transformation plan, including prioritisation of initiatives and delivery planning from weeks 12 to 16 in preparation for implementation.
79. The key approaches to unlocking savings are expected to be:
- Targeted prevention in the community - proactively supporting residents before they reach a crisis point and need formal support from the council
 - Demand Management - Focusing on how we improve the outcomes for residents focusing on maximising independence and the safety of residents
 - Commissioning/Unit cost – improvements in procurement approaches and sourcing decisions to ensure we are procuring the highest quality services as close to people's homes and communities as possible
 - Efficiency of service – reviews of how we deliver services so we can deliver high quality services that achieve the best outcomes in the most efficient way for residents
 - MTFS review – of assumptions used to build the MTFS.
 - Externally enabled efficiencies – including implications of statutory reforms.

- Income and financial interrogation – looking to maximise income collected and financial opportunities that cut across directorates
80. The governance structures will need to reflect the scale of the review and ensure that officer and Member input is received throughout to keep the programme on track and ensure initiatives have the right level of evidence to enable rapid decision making. The key features of the proposed governance are:
- A Member oversight board, drawn from the Cabinet, to provide oversight assurance and guidance of programme delivery. Keeping the Cabinet informed of progress and emerging opportunities.
 - Transformation Programme Board, of the Corporate Management Team, to oversee programme delivery
 - Programme steering groups – understand opportunities and co-design new ways of working.
 - Finance and Performance Delivery Group – oversee development of opportunities and quantification of benefits.
 - Cross Party working Group – held at key points to keep the political groups updated on progress.
81. At the end of the review the Cabinet will agree the next steps on mobilising priority initiatives.
82. It is anticipated that the review of existing MTFS projects, including those still in development, may yield some immediate results by enabling the Council to accelerate or grow initiatives that are already underway, ahead of the full review being completed.
83. Newton is likely to introduce initiatives from its previous experience, which will need testing in the Leicestershire context, but could provide early savings identification.
84. To fit with the council's decision-making processes the programme governance will be supplemented by reporting to Scrutiny and the Cabinet. This is expected to be as follows:
- Cabinet – 16th December
 - i. Reflect Newton review of MTFS savings proposals
 - ii. Explain key areas being targeted for savings (high level, not specific initiatives)
 - All Scrutiny Committees – January
 - i. Review department draft budget, as usual
 - ii. Potential impact of Efficiency Review (key areas developed from December where possible)
 - Cabinet – 3rd February
 - i. Introduce initiatives sufficiently robust for the MTFS
 - ii. Update on Efficiency Review approach and timetable
 - County Council – 18th February
 - Cabinet – Post February
 - i. New multi-year transformation plan, including decisions on savings opportunities not developed in time for February Cabinet meeting

85. If the Council does choose to implement initiatives, under Phase 2 that require support from Newton these will be costed individually so that cost-benefit decisions can be made on a project-by-project basis. It is likely that implementation of savings projects would involve a mixed approach, with some being within the Council's existing capacity and expertise, some requiring full external support from Newton, and some with a balance between the two.
86. Newton's commercial model also operates with 100% fees at risk for any implementation projects, based upon an agreed savings target. For any implementation project led by Newton, fees are fixed and only payable on completion of agreed milestones and evidenced savings delivery. Newton guarantee that the ongoing annual benefit will be greater than their one-off fee. Newton has a 100% record of exceeding the target benefits.
87. The Council has published a contract award notice, including an estimated contract value. This was set at up to £30 million to ensure sufficient flexibility to award further work under Phase 2 as required, dependent on Cabinet approval of the related opportunities.
88. Officers are currently working with Newton to mobilise the review, including agreeing and providing the data required and establishing the officer and member governance arrangements. Based on the delivery plan included in the bid, the Phase 1 review would be expected to complete by the end of February 2026.

Overall Revenue Summary

89. At this stage the revenue budget is forecast to have a net overspend of £2.9m. It should be noted that this amount can be covered from the £8m held in the MTFS Risks contingency although the first priority in managing the overspend will be to mitigate areas of cost pressure and identify potential savings. However, this will still require the use of £4.7m of reserves to balance the budget for the financial year.
90. The Director of Children and Family Services is looking at options to manage demand and cost across social care placements and SEND provision and this may require changes to the current approach to meeting need. The escalated financial controls, introduced in December 2023, will remain in place for the foreseeable future and are currently being reviewed to ensure they remain effective.
91. Given the impacts of demand and inflation on the County Council budget are difficult to assess, the position is still subject to change, particularly in relation to demand-led social care budgets. The position will be updated as more information is known during the financial year.
92. The Council's budget setting process for 2026/27 and refresh of the MTFS is challenging with the uncertainty around the impact of Fair Funding and the Spending Review. The Efficiency Review will provide external expertise and capacity to work at pace to identify further opportunities to close the budget gap.

CAPITAL PROGRAMME

93. The updated capital programme for 2025/26 totals £200.3m. This follows a review of the programme undertaken over the summer and approved by the Cabinet in September 2025 and changes in funding since then.
94. The latest forecast on the capital programme for 2025/26 shows overall net acceleration of £0.3m. A summary is shown in Appendix C with details of the variances provided in Appendix D.
95. The main variances are reported below.

Children and Families

96. The forecast spend is mainly in line with the updated budget.

Adults and Communities

97. The department is forecast to be on target to budget.

Environment and Transport

98. The department is forecasting net acceleration of £0.7m compared with the updated budget. The major variances are described below.
 - A511/A50 Major Road Network, £1.2m slippage due to delays in procurement and land acquisition which is now expected in 26/27.
 - Zouch Bridge, £0.9m acceleration as a result of design works being required along with changes to construction methodologies.
 - Transport Asset Management Programme – acceleration of £0.9m; comprising increased Preventative Maintenance works £0.5m, and Restorative Maintenance works £0.4m. Additional works required than profiled to be managed across future year programmes.

Corporate Resources

99. The department is forecasting net slippage of £0.4m including slippage on EV car charge points (£230k) and rooftop solar panels, now programmed for 2026/27.
100. Works to repair and reinstall the chimneys, gables and roof ridges to Beaumanor Hall are expected to cost £0.5m. Historic England have confirmed there are no funding opportunities available to support these costs, which will need to be funded from a reserve set aside as part of the 2024/25 MTFS outturn. The improvement works have now been added to the 2025/26 capital programme.

Corporate

101. The forecast spend is mainly in line with the updated budget.

Capital Receipts

102. The latest estimate of general capital receipts in 2025/26 is £16.5m, in line with the budget. The budget includes £4.2m of land and building disposals, £7.9m from the sale of pooled property funds and £4.4m from unapplied capital receipts brought forward from 2024/25.

Investing in Leicestershire Programme – Quarter 2, 2025/26 update

103. The Council's Investing in Leicestershire Programme (liLP) 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 liLP Strategy is approved annually as part of the MTFS.
104. A summary of the liLP position at quarter two of 2025/26 is included within Appendix E. This shows forecast total net income for the year of £8.5m which is in line with the budget for 2025/26. The total budget is split between direct core holdings and diversifier investments. The position also includes a budgeted contribution to the sinking fund of £0.7m in 2025/26.
105. The forecast percentage full year net income return for the liLP is 5.8% for 2025/26 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 lower percentage returns against the development and rural portfolio which is expected. It should be noted that these are annual revenue returns which do not include changes in the valuations of the assets. Direct holdings are valued annually, which together with the diversifier holdings, are reported in the liLP annual performance report.
106. 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 strategy and a bank risk share strategy. The aim is to provide diversified income from a variety of differing asset classes and geographies.
107. It is planned to commit to replace diversifier investments returning capital during 2025/26. There are currently three private debt investments that are returning capital alongside providing regular income. The existing bank risk share investment committed to in 2022 is returning capital whilst providing income. During quarter three a new bank risk share investment was entered into and it is expected that capital will be called during quarter three and four of this financial year with income being generated from March 2026.
108. An independent review of the Fund was undertaken by Hymans Robertson (Hymans) in December 2023. The report recognises 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 liLP. 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 liLP explore opportunities to dispose of selected properties, partly to adjust property sector allocations but also to recycle funds into developments.

Recommendation

109. The Scrutiny Commission is asked to note this report.

Circulation under the Local Issues Alert Procedure

110. A copy of this report has been circulated to all members of the Council for information.

Equality Implications

111. There are no direct equality implications arising from this report.

Human Rights Implications

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

Background Papers

Report to County Council on 19 February 2025 – Medium Term Financial Strategy 2025/26 to 2028/29

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=7391&Ver=4>

Report to the Cabinet – 12 September 2025– Medium Term Financial Strategy – Budget Monitoring and MTFs Refresh

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7879&Ver=4>

Appendices

Appendix A: Revenue Budget monitoring statement (Period 6)

Appendix B: Revenue budget major variances

Appendix C: Capital Programme monitoring statement (Period 6)

Appendix D: Capital Programme – forecast main variances and changes in funding

Appendix E: Investing in Leicestershire Programme – 2025/26 Quarter 2 update

Appendix F: Efficiency Review - High Level Plan

Officers to Contact

Declan Keegan, Director of Corporate Resources,
Corporate Resources Department,

☎0116 305 7668 E-mail Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director (Finance, Strategic Property and Commissioning),
Corporate Resources Department,

☎0116 305 7066 E-mail Simone.Hines@leics.gov.uk

REVENUE BUDGET MONITORING STATEMENT 2025/26
(AS AT PERIOD 6)

	Updated Budget	Projected Outturn	Difference from Updated Budget	
	£000	£000	£000	%
<u>Schools Budget</u>				
Schools	72,467	72,457	-10	0.0
Early Years	109,191	108,841	-350	-0.3
DSG Funding	-181,658	-181,658	0	0.0
	0	-360	-360	
<i>Earmarked reserve - start of year</i>			<i>-16,054</i>	
<i>Earmarked reserve - end of year</i>			<i>-16,414</i>	
High Needs	118,091	164,191	46,100	39.0
Dedicated Schools Grant (DSG)	-118,091	-118,091	0	0.0
	0	46,100	46,100	
<i>Earmarked reserve - start of year</i>			<i>64,403</i>	
<i>Earmarked reserve - end of year</i>			<i>110,503</i>	
<u>LA Budget</u>				
Children & Family Services (Other)	145,393	157,043	11,650	8.0
Adults & Communities	252,616	250,486	-2,130	-0.8
Public Health *	-2,746	-2,746	0	0.0
Environment & Transport	122,819	118,869	-3,950	-3.2
Chief Executives	17,441	16,911	-530	-3.0
Corporate Resources	41,218	40,858	-360	-0.9
DSG (Central Dept. recharges)	-2,285	-2,285	0	0.0
MTFS risks contingency	8,000	8,000	0	0.0
Contingency for Inflation/Living Wage	8,037	136	-7,900	-98.3
Total Services	590,493	587,273	-3,220	-0.5
<u>Central Items</u>				
Financing of capital	14,633	13,033	-1,600	-10.9
Bank & other interest	-12,000	-16,000	-4,000	33.3
Central expenditure	3,262	1,512	-1,750	-53.6
Total Central Items	5,895	-1,455	-7,350	-124.7
Contribution to earmarked reserves	22,600	35,800	13,200	58.4
Contribution to General Fund	1,000	1,000	0	0.0
Contribution from budget equalisation reserve to balance 2025/26 revenue budget	-4,653	-4,653	0	0.0
Total Spending	615,335	617,965	2,630	0.4
<u>Funding</u>				
Revenue Support Grant (new burdens)	-1,229	-1,229	0	0.0
Business Rates - Top Up	-42,912	-42,912	0	0.0
Business Rates Baseline / retained	-31,818	-31,728	90	-0.3
S31 Grants - Business Rates	-17,713	-17,843	-130	0.7
Allocation of Business Rates Pool Levies	-8,000	-7,720	280	n/a
Council Tax Precept	-422,465	-422,465	0	0.0
Council Tax Collection Funds - net surplus	-1,493	-1,493	0	0.0
New Homes Bonus Grant	-1,041	-1,041	0	0.0
Improved Better Care Fund Grant etc.	-14,190	-14,190	0	0.0
Social Care Grant	-50,971	-50,971	0	0.0
ASC Market Sustainability & Improvement Fund	-10,562	-10,562	0	0.0
Children's Social Care Prevention Grant	-1,488	-1,488	0	0.0
Domestic Abuse Safe Accommodation Grant	-1,464	-1,464	0	0.0
National Insurance increase - compensation	-3,656	-3,656	0	0.0
Extended Producer Responsibility (EPR)	-6,333	-6,333	0	0.0
Total Funding	-615,335	-615,095	240	0.0
Net Total	0	2,870	2,870	

* Public Health funded by Grant (£29.9m)

This page is intentionally left blank

Revenue Budget 2025/26 – forecast main variances (Period 6)**Children and Family Services****Dedicated Schools Grant**

A net overspend of £45.7m is forecast. The main variances are:

	£000	% of Budget
DSG High Needs Block (HNB) earmarked reserve drawdown	15,255	n/a
The DSG budget in the original MTFS includes an estimated HNB drawdown of £15.3m as the forecast in year overspend.		
Special Educational Needs	30,065	25%
This is largely due to increased volume/demand vs budgeted assumptions based and set on Autumn 2024 data/intelligence. Since that position, overall demand through the front door has continued to rise. Currently there are 8,311 Education Health Care Plans (EHCP's), a 15% increase on numbers since January 2025, with still a quarter of this calendar year to run. Whilst further analysis of both demand and costs are planned over the coming months as part of MTFS planning, which will include a greater understanding of the number of EHCP'S and children on a funded package, it is anticipated demand of funded packages will reach a weighted average over the financial year of 8,500 funded packages by March 2026. (c20% increase vs budgeted position post mitigations).		
Specialist Teaching Service (STS)	735	30%
Combination of increased demand on services and financial impact of staffing pay awards not being fully funded for these fully High Needs Block funded services.		
Early Years / Nursery Education Funding	-350	-0.3%
Currently projecting a net overall underspend across all age group entitlements. It is estimated that pupil numbers on the January census and termly headcounts will be higher than the annual average uptake, which will benefit Leicestershire resulting in more funding being received than being paid out. From 1st September 2025 the entitlement of 9 month olds and older children of working parents has been extended to 30 hours. The expansion of working parent entitlements, having different approaches to calculating entitlement allocations and funding allocations being determined by future counts adds complexity to forecasting and thus current forecasted financial position is subject to change.		
Other variances	35	n/a
TOTAL	45,740	n/a

Local Authority Budget

The Local authority budget is forecast to overspend by £11.6m (8.0%). The main variances are:

	£000	% of Budget
Children's Social Care Placements	9,720	13%
<p>The projected net overspend of £9.7m is largely due to a small but financially significant 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 2026 to be at 120 children (includes parent and child placements). Trend and demand analysis at the time of budget setting, and then subsequently until end of qtr.4 of financial year 2024/25, showed demand remaining relatively stable.</p> <p>However – numbers to date during 2025/26 have risen sharply. As at end of qtr2. numbers in residential provision stand at 129, and current projections assume by the end of the financial year this number could rise to 133 (11% increase vs budgeted mitigated position in terms of overall volume) . Of this overall increase in numbers, a small but financially significant increase in the number of unregistered and activity placements can be seen from May 2025. They are often the most expensive due to them taking children with complex mental health, absconding and criminal exploitation risks and the emergency nature in which the child is placed. As at end of qtr2 2025, we have 15 live children in unregistered/ activity placements, the highest number we have ever had (200% increase vs budgeted assumed position for this provision type).</p> <p>Also, of note and of financial significance due to a very unique set of challenges and issues (sufficiency & need), is the need to place a small number of children in secure provision this year, which is determined by the court. This provision has a very high weekly cost, in the region of £30k per week (historically the upper limit of costs of such provision type has been no more than £15k per week). Whilst this is a small number of cases it contributes disproportionately to the overall projected in year overspend position.</p> <p>In conjunction with CFS's smarter commissioning MTFS programme of actions, this is showing a positive trajectory in terms of current weekly unit costs vs budgeted position. This can be evidenced through what is a 15% reduction in average unit cost for UASC care leaver placement costs over the last 12-18 months, and is supporting as an in year additional mitigation vs the overall increased financial pressures on the social care placement budget.</p>		
Educational Psychology Service and SENA Service	1,220	28%
Continued increased demand due to an increase in the number of EHCPs (Education Health Care Plans) and EHCNAs (Education Health Care Needs Assessments) has further impacted the overspend position within these service areas due to increased caseloads. The assessment of the medium to long term impact of current demand on this service is currently underway for the purpose of MTFS future planning.		
Disabled Children Service	1,200	31%
Increased demand of support across both direct payments and commissioned services. The Children's Innovation Partnership with Barnardo's will see the creation and opening of an overnight short break unit by the end of 2025, to support children with a disability, and ensure such demands in this area can be managed in the most appropriate and cost effective manner.		
Children Social Care - Family Safeguarding & First Response Services	410	4%
Increased complexity of cases and increased demand overall on services, which is partly being supported through agency workers, adding to the financial burden on this budget.		
Departmental Financial Controls / Vacancy Control Management	-900	n/a
As a direct response to the financial pressures which are being seen in year across the different service areas, the departmental management team took and continue to lead on a review of non-statutory services supported by the introduction of corporate led financial controls. Together and 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, 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.		
TOTAL	11,650	n/a

Adults & Communities

The Department has a net forecast underspend of £2.1m (0.8%). The main variances are:

	£000	% of Budget
Residential and Nursing Care	1,045	-1%
There is an overall forecast overspend for residential care of £1.0m. Service user numbers were broadly flat for the first quarter of the financial year. However, since July the service user numbers have risen by approximately 30 causing a forecast overspend of £1.6m in expenditure. The overall average for the year is forecast to be 2,465 service users per week costing an average of £1,165 per week. Offsetting the overspend is a surplus in the service user income budget of £0.75m primarily from recent charging runs showing a 7% increase in weekly chargeable income from service users. Health income is forecast to be £200k below budget due to numbers of funded service users being lower than budgeted.		
Supported Living	840	5%
There are estimated to be between 20 new service users over the course of the year. Higher service user numbers were incurred after budget setting for 25/26. The budget is based on total of 530 service users over the course of the year and currently there are 540 service users at £1,780 per week.		
Direct Cash Payments	485	0%
The clawback of unspent funds which is conducted as an ongoing process over the course of the year has been disrupted by issues with our Direct Payment Card Provider. It is hoped that normal service will be resumed shortly but the issue has impacted on the overall monies which have been clawed back to date and it is expected that there will be a shortfall for the financial year causing an overspend within the Direct Cash Payments budget. Despite an increase in 40 service users over Period 1-6, average costs per service user have broadly remained flat for this period. The forecast has an average of 1,667 SU with an average cost per week of £526 and Carers averaging at 1,358 SU with an average cost per week of £54.		
Adult Learning	395	n/a
Forecast overspend due to reduction in grant funding announced in April 25 of £229k. HR action plans prepared to deliver savings that have been delayed, therefore expecting overspend in operational costs and £396k for exit costs from restructure. Additional income of (£186k) through NI rebate and (£45k) from Connect To Work offsetting overall overspend.		
Access & Digital Services	185	6%
There is a £300k overspend in Adult Social Care Finance - of this £200k due to additional temporary staff employed to address the wait list in both the Benefits Team and Appointeeship & Deputyship Team and to reduce the held debt linked to the Appointeeship & Deputyship team, plus £100k relating to a historical unachieved saving. This is offset by staffing vacancies, primarily within the Customer Service Centre (£117k).		
Home First	-1,040	-10%
The underspend is primarily from vacant Support Worker posts within the HART Service. Recruitment is ongoing as part of the Department's plan to increase the HART workforce to enable more cases to be retained by the service requiring fewer referrals to the Independent Homecare sector which should generate a saving to the department. Recruitment however remains difficult within the social care market.		
Homecare	-980	-1%
Service user numbers have fluctuated around levels observed since the beginning of the financial year. At the start of the year service user numbers were 2,705 and average hours commissioned were 10.8 hours per person. Currently there are 2,720 service users with the same average hours of 10.8. The winter period may increase service user numbers reducing any underspend.		
Better Care Fund (Balance)	-670	5%
Discharge to Assess income of £1.65m of funds are expected against a budget of £2.8m due to lower activity. Better Care Fund income from minimum contribution to LCC is £1.8m above the budgeted amount.		
Cognitive and Physical Disability	-595	-6%
There is a £375k underspend on staffing primarily in Occupational Therapy Teams (£217k) which are difficult to recruit to posts and Harborough Care Pathway Team (£110k) and Blaby, Oadby and Wigston Care Pathway Team (£48k). Also £200k underspend on Integrated Community Equipment Service, as a result of LCC's contribution to the pool decreasing in 25/26.		

Non Residential Income	-500	2%
Additional income from Health expected relating to Supported Living which is forecast to be £800k over budget due to higher numbers of clients since budget setting and an increase in average funding per client. Smaller variances in other demand led services are generating an over-recovery of £300k some of which relates to previous years. Approximately a shortfall of £600k expected from Non-Residential Client Income primarily from the number of chargeable service users being flat and not increasing like previous years.		
Supported Living, Residential and Short Breaks	-445	-16%
It is difficult to recruit staff in the current social care market across the Councils Short Break sites leading to vacancies. A recruitment campaign is ongoing to fill vacancies which will allow the Short Breaks sites to increase their capacity which is linked to an MTFS saving. A plan for continuous improvement is in place focused on driving up quality taking into consideration learning from CQC across all service areas.		
Learning Disability and Autism	-270	-3%
There is a underspend in NWL Care Pathway Team (£363k) due to vacancies and difficulties in recruiting staff. This is offset by £89k overspend in Hinckley Care Pathway Team where agency staff are required to cover sickness and vacancies.		
Community Life Choices	-100	-1%
A small underspend is forecast at this point from a slight decrease in the average amount of sessions commissioned per service user compared with the budget for the first 4 months of the year. This has helped to offset rising service user numbers observed in August. Currently there are 691 service users with an average cost of £280.		
Other variances (under £100k)	-480	n/a
TOTAL	-2,130	n/a

Public Health

The Department has a projected balanced position, with no significant variances.

Environment and Transport

The Department is forecasting a net underspend of £4.0m (3.2%). The main variances are:

	£000	% of Budget
Social Care Transport	835	13%
Overspend due to additional taxi costs that are largely met by an underspend on Passenger Fleet.		
Treatment & Contracts	475	2%
Overspend in Treatment due to continued trend of waste being diverted out of Landfill into Treatment, slightly offset by reduction in tonnage.		
Reactive Maintenance	350	10%
Policy-led safety and network resilience works following inspections and the May 2025 coroner enquiry are driving the pressure - comprising £200k for road-marking renewals to restore visibility standards, £96k to rectify non-illuminated sign defects identified post-coroner, £46k from an increase in Cat-2 maintenance required to meet policy compliance, and £17k for extreme-weather response (Long Clawson culvert cleansing following the January 2025 storms, with further works required), partly offset by a £10k underspend on safety barriers; the overspend is unavoidable and compliance-driven.		
Initiatives	135	45%
Includes a forecast transfer to reserves of £150k, using department underspends for Charnwood Geopark provision.		
SEN Transport	-1,585	-6%
Underspend as a result of contract savings arising from the summer transport reviews. Whilst there has been a recent increase in the number of active EHCPs, and therefore additional growth is suggested, there are issues with sufficiency. Therefore a large proportion of these additional children with EHCPs are not currently receiving transport and are not included in the forecast.		
Landfill	-880	-33%
Underspend due to continued trend of waste being diverted out of Landfill into Treatment.		
Passenger Fleet	-635	n/a
Overall underspend due to vacant driver and escort posts (c.£816k) and lower running costs (£25k) partially offset by lower income forecasts (£206k)		
Dry Recycling	-450	-18%

Underspend due mainly to higher income rates which are expected to continue. In addition small net underspend due to slightly lower tonnage forecast by 2,700 tonnes.		
Staffing, Admin & Depot Overheads	-440	-49%
Additional income from increased permitting activity under network management and sale of grass verges.		
Composting Contracts	-315	-15%
Underspend mainly due to reduced tonnage forecast of Composting as a result of recent dry weather, approximately 8,643 reduced tonnage at a rate of £34 per tonne. The remaining underspend is due to lower prices than budgeted.		
Management & Admin (Environment & Waste)	-255	-9%
Underspend due to vacancies and timing of recruitment across the team.		
Staffing & Admin (E&W)	-205	-12%
Underspend due to vacancies across E&W management commissioning teams.		
H&T Network Staffing & Admin	-200	-7%
Underspend mostly due to sustainable travel staffing budget: vacant posts.		
Road Safety	-200	-27%
Underspend mostly due to vacant posts savings in school crossing patrols (75%) and road safety tutors (25%).		
Haulage & Waste Transfer	-195	-7%
Lower bulk haulage due to operational changes and slightly lower tonnages.		
Development & Growth	-145	-9%
Underspend due to staffing vacancies across teams.		
Staffing & Admin Resourcing	-105	-4%
Underspend due to vacancies across teams and timing of recruitment.		
Other variances (under £100k)	-135	n/a
TOTAL	-3,950	n/a

Chief Executive's

The Department is forecasting a net underspend of £0.5m (3.0%). The main variances are:

	£000	% of Budget
Legal Services	220	4%
Overspend largely due to reduced income (+£117k) and a forecast overspend on childcare cases (+£90k).		
Departmental Items	150	n/a
Department-wide saving for staffing vacancy held in this budget. Overspend here is offset by underspends elsewhere in the department.		
Growth Service	-315	-28%
Underspend due to current vacancies which are subject to ongoing recruitment activity.		
Registrars	-235	n/a
Underspend largely due to additional income (-£105k) and a reduction in staff costs by reducing the use of casual staff (-£132k).		
Democratic Services and Administration	-190	-13%
Underspend mainly due to staffing vacancies		
Management and Administration	-50	-6%
Underspend due to staffing vacancies.		
Other variances (under £50k)	-110	n/a
TOTAL	-530	n/a

Corporate Resources

The Department has a net forecast underspend of £0.4m (0.9%). The main variances are:

	£000	% of Budget
Commercial Services	665	-166%
Challenging commercial environment as customers (especially schools) are facing their own financial challenges. This risk has particularly manifested itself in School Food which is forecasting a £0.3m overspend but also Beaumanor Outdoor Activities (£0.1m) and LEAMIS (£0.1m). In addition, the impact of the temporary closure of Beaumanor Hall (£0.1m) related to required chimney repair and maintenance works has impacted income as has delays to implementation of new systems and repairs for car parking within Country Parks (£0.1m).		
Corporate Human Resources	205	8%
Staff overspend due to removal of reserves, partly offset by staff vacancies.		
Corporate Projects	60	-15%
Unachieved Customer Programme saving in 2025/26.		
Business Support	60	5%
Variance due to system costs, cessation of reserve drawdown and reduced income. This is offset by staffing savings from maternity leave and vacancies.		
ICT	-520	-4%
Significant underspend on staffing across multiple teams (£250k). Early delivery of MTFs Savings (£240k). Other corporate IT underspend largely offset by additional expenditure for external review of current software infrastructure (Social Care systems) and implementation of website firewall functionality to prevent cyber attacks.		
Building Running Costs	-315	-6%
Early delivery of MTFs savings. In addition, building running costs across the corporate estate have reduced due to lower occupancy includes rates, energy and cleaning.		
Strategic Finance	-110	-2%
Underspend on staffing and vacant posts.		
Learning and Development	-95	-6%
Reduced training requirement for 2025/26 across the authority based on current requests and current knowledge of predicted spend to year end.		
East Midlands Shared Services	-90	-2%
Reduction in LCC contribution towards partnership (underspend split 50:50 with Nottingham City Council).		
Strategic Property	-85	-3%
Underspend on staffing as vacancies held across all teams pending a service review. Early exit from Romulus Court also contributing to the underspend. This is offset by reserve funding being switched off.		
Operational Property	-70	-2%
Underspend due to staff vacancies across a number of service areas.		
Other variances	-65	n/a
TOTAL	-360	n/a

APPENDIX C**CAPITAL PROGRAMME MONITORING STATEMENT (PERIOD 6)**

	Revised Capital Programme 2025/26 * £000	Changes in Funding 2025/26 £000	Updated Budget 2025/26 £000	Forecast £000	Updated Budget v Forecast Variance £000
Children & Family Services	51,927	131	52,058	52,065	7
Adults and Communities	5,573	0	5,573	5,573	0
Environment & Transport	119,088	438	119,526	120,249	723
Chief Executive's	0	0	0	0	0
Corporate Resources	3,682	463	4,145	3,718	-427
Corporate Programme	18,949	0	18,949	18,899	-50
Total	199,219	1,031	200,250	200,504	254

* Approved by the Cabinet in September 2025.

This page is intentionally left blank

Capital Budget 2025/26 – forecast main variances**Children and Family Services**

The forecast spend is largely in line with the updated budget. Acceleration of £7k is reported for works on Woolden Hill primary school.

Adults & Communities

The forecast spend is in line with the updated budget.

Environment and Transport

Net acceleration of £0.7m is forecast compared with the updated budget. The main variances are:

	£000
Zouch Bridge Replacement	902
Forecast acceleration as a result of design works being required along with changes to construction methodologies.	
Transport Asset Management	912
Restorative Maintenance: Acceleration of £0.4m due to network deterioration pushing additional reactive works through faster than profiled. Preventative Maintenance: Acceleration of £0.5m driven by higher than planned external patching for Category 2 defects and increased hazardous waste (coal tar) costs.	
Advanced Design	152
£0.2m acceleration due to work brought forward on the Market Harborough schemes.	
A511 Major Road Network (MRN)	-1,184
Slippage due to delays in early contractor involvement and purchasing of land. Land acquisition now expected in 2026/27.	
Other variances	-59
TOTAL	723

Chief Executives

The forecast spend is in line with the updated budget.

Corporate Resources

Net slippage of £0.4m is forecast compared with the updated budget. The main variances are:

	£000
Climate Change - Environmental Improvements	-430
Slippage on EV car charge points (£230k) due to waiting until car park work is complete at some sites. Public Sector Decarbonisation Scheme (PSDS) (£65k) slippage due to upgrading heating systems in spring. Rooftop solar PV slippage due to finalising procurement route (£135k).	
Other variances	3
TOTAL	-427

Corporate Programme

Net slippage of £0.05m is forecast compared with the updated budget. The main variances are:

M69 J2 Strategic Dev Site	-50
Slippage due to delays with the emerging Blaby Local Plan and the need to reschedule the project programme to avoid the need to repeat technical surveys.	
TOTAL	-50

Capital Programme - Changes in Funding

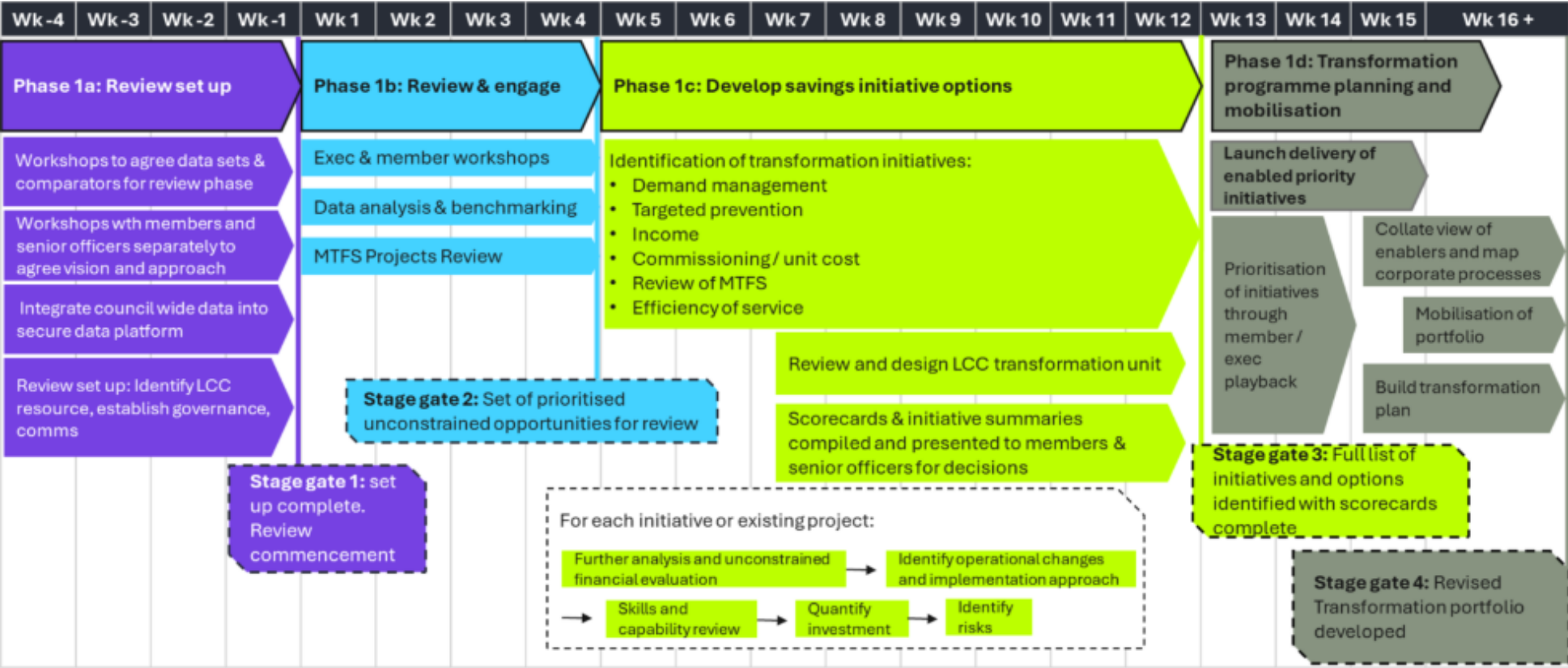
	£000
<u>Children & Family Services</u>	
Provision of School Places programme - section 106 Contributions	131
<u>Environment and Transport</u>	
S106 developer contributions	438
<u>Corporate Resources</u>	
Tree Nursery	-37
Beaumanor Hall - funded from revenue reserve	500
Overall Total	1,031

Investing in Leicestershire Programme – 2025/26 Q2 Update

Asset Class	Opening Capital Value ¹	Capital Incurred (returned) 2025/26	Change in valuation	Q2 2025/26 Capital valuation ²	Net income YTD	Budget Net Income FY	Forecast Net Income FY	Variance to Budget	In year forecast net income return % ³	Since Inception IRR ⁴
	£000	£000	£000	£000	£000	£000		£000	%	%
Direct Commercial Holdings										
Development	42,133	0	0	42,133	-138	-178	-178	0	-0.4%	
Rural	95,888	0	0	95,888	-31	199	199	0	0.2%	
Offices inc County Hall ⁵	63,073	0	0	63,073	1,393	4,125	3,790	-335	6.0%	
Industrial	26,002	0	0	26,002	950	1,711	1,711	0	6.6%	
Other	4,102	0	0	4,102	109	249	249	0	6.1%	
Direct Holdings	231,198	0	0	231,198	2,283	6,106	5,771	-335	2.5%	
Diversifier Holdings										
Pooled Property	16,091	-7,507	-331	8,252	232	422	422	0	3.5%	2.4%
Private Debt MAC 4 2017	2,269	-1,459	-510	300	2					4.6%
Private Debt MAC 6 2021	13,281	-1,705	77	11,653	272					6.9%
Private Debt MAC 7 2023	7,479	714	255	8,447	0					9.2%
Private Debt sub-total	23,029	-2,450	-179	20,401	274	816	816	0	3.8%	5.6%
Pooled Infra Fund	8,742	0	-95	8,648	209	293	363	70	4.2%	5.1%
Pooled Bank Risk Share	12,651	-1,500	672	11,822	795	895	1,000	105	8.2%	13.8%
Interest income					23		160	160		
TOTAL (All IILP)	291,710	-11,457	68	280,321	3,817	8,531	8,531	0	3.0%	
TOTAL exc development and rural	153,689	-11,457	68	142,300	3,986	8,510	8,510	0	5.8%	

1. Opening valuations based on market valuations not historic cost adjusted for any in year disposals
2. Direct property is valued annually at year end, Q2 25/26 end information used for the diversifiers
3. Forecast 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.

This page is intentionally left blank



This page is intentionally left blank