Meeting: **Scrutiny Commission**

Date/Time: **Monday, 31 January 2022 at 10.00 am**

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

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

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Membership

Mr. M. T. Mullaney CC (Chairman)

Mr. T. Barkley CC	Mr. J. Morgan CC
Mrs. H. J. Fryer CC	Mrs. R. Page CC
Mr. S. J. Galton CC	Mr. T. J. Pendleton CC
Mr. T. Gillard CC	Mr J. Poland CC
Mr. Max Hunt CC	Mr. T. J. Richardson CC

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AGENDA

Item		Report by	
1.	Minutes of the meeting held on 17 November 2021		(Pages 3 - 18)
2.	Question Time.		
3.	Questions asked by members under Standing Order 7(3) and 7(5).		
4.	To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
5.	Declarations of interest in respect of items on the agenda.		

6.	Declarations of the Party Whip in accordance with Overview and Scrutiny Procedure Rule 16.		
7.	Presentation of Petitions under Standing Order 35.		
8.	Provisional Medium Term Financial Strategy 2022/23 - 2025/26	Director of Corporate Resources	(Pages 19 - 94)

Mr N. J. Rushton CC, the Leader of the Council, and Mr L. Breckon CC, Lead Member for Resources, have been invited to attend for this and other Medium Term Financial Strategy (MTFS) items together with other Lead Members as appropriate.

9.	Medium Term Financial Strategy 2022/23 - 2025/26 - Chief Executive's Department	Chief Executive and Director of Corporate Resources	(Pages 95 - 110)
10.	Medium Term Financial Strategy 2022/23 - 2025/26 - Corporate Resources Department	Director of Corporate Resources	(Pages 111 - 130)
11.	Medium Term Financial Strategy 2022/23 - 2025/26 - Consideration of responses from other Overview and Scrutiny Committees		

The purpose of this item is to enable consideration of the responses of the following Overview and Scrutiny Committees to their respective areas of the Medium Term Financial Strategy:

- Health Overview and Scrutiny Committee (meeting held on 19 January)
- Highway and Transport Overview and Scrutiny Committee (meeting held on 20 January)
- Adults and Communities Overview and Scrutiny Committee (meeting held on 24 January)
- Children and Families Overview and Scrutiny Committee (meeting held on 25 January)
- Environment and Climate Change Overview and Scrutiny Committee (meeting held on 26 January)

12. Date of next meeting.

The next meeting of the Commission is scheduled to take place on 9 March 2022 at 10.00am.

13. Any other items which the Chairman has decided to take as urgent.

Agenda Item 1

Leicestershire County Council

Minutes of a meeting of the Scrutiny Commission held at County Hall, Glenfield on Wednesday, 17 November 2021.

PRESENT

Mr. M. T. Mullaney CC (in the Chair)

Mr. T. Barkley CC	Mr. J. Morgan CC
Mrs. H. J. Fryer CC	Mrs. R. Page CC
Mr. S. J. Galton CC	Mr. T. J. Pendleton CC
Mr. T. Gillard CC	Mr J. Poland CC
Mr. Max Hunt CC	Mr. T. J. Richardson CC

40. Minutes

The minutes of the meeting held on 8 September 2021 were taken as read, confirmed and signed.

41. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 34.

42. Questions asked by members under Standing Order 7(3) and 7(5).

The Chief Executive reported that the following question had been received under Standing Order 7(3) and 7(5) from Mr Max Hunt CC:

“Could the Chairman provide me with a list of all non-transport related bids by the County Council (or shared by the County), annually over the last 5 years, of over £1million, indicating:

(a) The funding pot;
(b) Maximum bid;
(c) LCC bid;
(d) Date submitted (approx);
(e) Scheme;
(f) Date determined;
(g) If successful or not.”

Reply by the Chairman

The table below details those non-highway related schemes for which funding bids have been made by the County Council (or in partnership) over the last 5 years, detailing the information requested in (a) to (g) above.

County Council bids					
Funding Pot and Scheme	**Maxm Bid**	**LCC Bid**	**Date of sub-mission**	**Date deter-mined**	**Success**
Dept for Education Holiday Activities and Food Programme	Funding awarded to all LAs based on FSM data – no bidding required. However, business plan required to be submitted.	Max funding award - £1,323,150 (for summer and Christmas provision	2021		Yes
LEADER – Rural Payments Agency - Dept Environment Food Rural Affairs	Unknown	£1.5m	2015	Yes	Yes
Superfast Broadband Programme through Building Digital UK	Contract 1 £3.4 mill DCMS £1.23 mill ERDF £1.05 mill LLEP (LLEP Leicestershire Enterprise Partnership Local Growth Fund) £1.16 mill Districts Contract 2 £7.8 mill BDUK £3.1mill LLEP local growth fund £1.22 Districts	See other column- Amount was dependant on number of properties	2015 onwards		Yes
Dept for Education Holiday Activities and Food Programme	£2 million	Barnardo's (combined bid for city and county) – bid submitted for £1million	Oct-Dec 2019		No
Coalville Workspace Project - GD2 Grant	Not Known	£2,313,812	2016		Yes
LCC Public Sector Decarbonisation Scheme (PSDS)	1- BusinessEnergyIndustrial Strategy PSDS Grant	£3,561,950	2021		Yes
Partnership bids					
Funding Pot and Scheme	**Maxm Bid**	**LCC Bid**	**Date of sub-mission**	**Date deter-mined**	**Success**
Growth Hub – MHCLG Ministry Housing Communities and	£8 million led by the City Council	County Council receive £57k of ERDF	2016	Project extension	Yes

Local Government-ERDF Funding		funding towards the post. This will become 100% funded from Dec 2021-Dec 2023		approved 2021	
Employment Hub (ESF City led project)- MHCLG	£5.9 mill led by the City Council	County Council receive £115k for a business adviser	2016	Project extension approved 2021	Yes
WiLLProject-Work Live Leicestershire MHCLG	£2million – led by VISTA	County Council receive £169k for operation of Work clubs	2016		Yes
Digital Growth Programme – ERDF Funding	£4.7 million led by East Midlands Chamber	LCC contribute £170k over 5 years – Good fit to the Broadband Programme	2016	Project now complete	Yes

As can be seen from the table above, the County Council is a partner in a number of funding programmes. It is not always the accountable body for these projects and is not therefore in receipt of the whole funding allocated when bids are successful.

43. Urgent Items

There were no urgent items for consideration.

44. Declarations of interest in respect of items on the agenda.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting. The following declarations were made.

All Members of the Commission who were also members of a district and/or parish/town council declared a personal interest in all items on the agenda so far as this was relevant.

Whilst not under this item, during the meeting Mrs H. Fryer CC declared a personal interest in agenda item 9 (Draft Communities Strategy) as a member of the Rural Community Council.

45. Declarations of the Party Whip in accordance with Overview and Scrutiny Procedure Rule 16.

There were no declarations of the party whip.

46. Presentation of Petitions under Standing Order 35.

The Chief Executive reported that no petitions had been received under Standing Order 35.

47. Engagement on the Council's Strategic Plan

The Commission considered a report of the Chief Executive which presented the draft Strategic Plan for 2022 to 2026 for comment. A copy of the report marked ‘Agenda Item 8’ is filed with these minutes.

The Chairman welcomed the Lead Member for Communities, Mrs P Posnett CC, to the meeting for this item.

In presenting the report, the Assistant Chief Executive confirmed the following:

- The Plan set out the Council’s ambitions and priorities for the next four years and outlined what the Authority would seek to achieve and how it intended to do that.
- The current Plan would expire next year, and this had therefore been refreshed to take account of recent developments including the current pandemic and exit from the EU.
- Once approved, the Plan would set the strategic aims of the County Council and so would underpin all future Council plans and strategies. Many actions were already captured through existing plans and strategies, but these would be developed in line with the new Plan.
- Scrutiny Committees would continue to receive performance updates against the Strategic Plan in line with current practice.

The Lead Member commented that the aims as set out in the Plan were aspirational and therefore high level and broad. Actions would be added and developed to support this. The consultation would provide a wealth of information from the public and partners to help shape those action and the way forward.

The Commission supported considered extracts from the minutes of the other Overview and Scrutiny Committees which had also looked at the Plan so far as it was relevant to each County Council department. A copy of these extracts is filed with these minutes.

Arising from discussion the following points were made:

(i) Members commented that the Plan included several aspirations that were outside the Council’s control. It was questioned whether the Plan should just focus on its own functions and specific areas of responsibility. Given the far-reaching nature of the Plan a member queried the Council’s control over the deliverability of some aspects. By way of example, a member challenged the inclusion of the aim to increase the number of neighbourhood plans on the basis that this was not a County Council function (this being a function of (and therefore funded by) district councils). Recognising that the Council often had a broader role as a partner and as an enabler and facilitator, it was suggested that the Plan should more clearly differentiate between those aspirations for which Council would have lead responsibility, and those where it would have a contributing/partnership role; specifying in the commitments section, which partners it would work with.

(ii) A member challenged the lack of reference in the Plan to district councils. Whist parish and town councils were specifically referred to, it was highlighted that 25% of the population of the County did not live in a parished area. Members agreed that district councils had a stronger role to play in those areas, alongside other third sector organisations, and so should also be referenced.

(iii) A member commented that the Plan included some aspirations which were unattainable and therefore unrealistic, and some which were competitive or opposing. It was suggested that the document could be proofed to challenge the realism of some aspirations and to address where conflicts arose and how these might be addressed. It was noted that competing aims was reflective of the complex nature of the Council's role and the breadth of services it provided. Members acknowledged that having a Plan in place provided a framework to address those conflicts corporately.

(iv) A Member challenged that whilst the Plan identified what success might look like, it did not adequately quantify this or include a benchmark against which that could be measured. Members noted that benchmarking data had not been included in the Plan itself as there was concern that this could make the Plan too long. However, comprehensive data was collected to show performance against the aims of the current Strategic Plan, and this was presented on a quarterly basis to each of the overview and scrutiny committees each year by way of a separate performance report. Members noted that this process would continue under the new Plan and would make clear the current position and progress being made.

(v) Members noted that the Outcome Boards would have responsibility for overseeing progress against the Plan and this would be regularly reported back to relevant Lead Members. In addition to the quarterly reports to individual scrutiny committees, a comprehensive and detailed annual performance report was also produced, and this was shared with all members and presented to the Commission, the Cabinet and full Council. The Assistant Chief Executive confirmed that such reports were published on the Council's website and so were publicly available but undertook to consider how best to publicise this further to all members.

(vi) Members commented that as a high-level, aspirational document the Plan was too long and that detail around the actions could be set out separately. Alternatively, an executive summary could be provided. A member further commented that as a public document, some of the wording could be confusing and it was suggested that the Plan be re-read with that in mind.

(vii) A member commented that the statement included in paragraph 8.5 of the Plan (page 50) that Charnwood 'had an issue with a high rate of local authority owned homes which were 'non-decent'' was incorrect and that in fact Charnwood Borough Council had a higher standard than the national average called 'the Charnwood standard'. Officers undertook to review the wording on this point.

(viii) A member questioned the significant increase in children being educated at home and whether this was an unexpected impact of the pandemic. The Assistant Chief Executive confirmed that Covid did appear to be a factor as some parents that had home schooled their children during the national and local lockdowns had chosen to continue to do so.

(ix) The proposed increase in electrical vehicles would ultimately be limited by access to and the availability of charging points. A member questioned what the Council's response to this might be. Members noted that this could be a factor built into future considerations for land the Council directly owned or was seeking to develop. Members noted that addressing this through the planning process could be a factor, but that this was managed by local planning authorities in line with national policy. The Assistant Chief Executive confirmed that the Council could, however, look to see what it might do in its role as the local Highway Authority as part of that process.

(x) The commitment to support parish and town council leaders was challenged. A member raised concerns that their parish council clerk found it difficult to contact the County Council and had raised concerns about the length of time it took to deal with certain matters, e.g. permits to post on lamp posts. The Assistant Chief Executive reported that the Council supported the Leicestershire and Rutland County Association for Town and Parish Councils, which in turn supported parish and town councils who were their members. County Council officers also met with parish and town council chairs and clerks on an annual basis, and with clerks on a quarterly basis. It was noted that parish clerks had also been provided with a dedicated email address through which they could raise issues directly with the County Council. However, a member sought assurance regarding the response times for dealing with enquiries raised in this way, as feedback suggested that this was not always as quick as it should be. It was suggested that this might be because of the Council's internal, back office processes and that streamlining these could be considered as a means of improving support.

(xi) A member reported that a few years ago a discussion had been held at the Leicestershire Safer Communities Strategy Board regarding the posting of signage and CCTV on lamp posts and that a comprehensive report had been produced in response to that, as there were concerns around safety which needed to be addressed. It was suggested that a copy of that report be circulated after the meeting for members information.

(xii) In response to a comment about an increase in the cost of road closure applications for remembrance events, the Assistant Chief Executive reported that officers would contact the Environment & Transport Department for clarification as it was understood that these costs had been waived following a direction by HMCLG. Officers were further asked to provide members with details of the fees and charges information provided to parish and town councils for road closure events generally.

RESOLVED:

(a) That officers be requested to consider the comments now made in respect of the draft Strategic Plan for 2022 – 2026, as well as those made by the other Overview and Scrutiny Committees which it supported;

(b) That Officers be requested to provide/clarify the following:

- Clarification of whether the cost of road closure applications for remembrance events had been waived in line with the direction of HMCLG. *[After the meeting it was confirmed that road closure application costs for remembrance events had been so waived.]*

- Details of the fees and charges information provided to parish and town councils for road closure events generally.

- A copy of the report to the Leicestershire Safer Communities Strategy Board regarding the posting of signage and CCTV on lamp posts.

- Details of response times to dealing with enquiries raised by parish and town council clerks through the dedicated email provided.

48. Draft Communities Strategy - Leicestershire County Council Collaborating with our Communities - Our Communities Approach 2022 - 2026

The Commission considered a report of the Chief Executive which presented the draft Communities Strategy: Leicestershire County Council Collaborating with our Communities – Our Communities Approach for 2022 – 2026 for comment. A copy of the report marked ‘Agenda Item 9’, is filed with these minutes.

The Chairman welcomed Mrs Posnett, the Lead Member for Communities, to the meeting for this item.

In presenting the report the Assistant Chief Executive confirmed the following:

- The refreshed Strategy set out the Council’s planned approach to collaborating with communities. It built on the existing strategy that had been effective in guiding the Councils work in recent years to support, strengthen and empower communities, in particular shaping the Council’s approach through the ongoing pandemic.
- The new Strategy had been aligned with the Strategic Plan, covering the same period, and set out an approach that would aid delivery of that Plan.
- The proposed approach was intended to support communities to achieve their goals through coproduction and collaboration and to help communities build back after the pandemic. The Strategy had also therefore been aligned with the Council’s planned Covid recovery work.
- The Strategy reflected lessons learnt over the last 18 months and took account of feedback from communities, partners and members during that time.

Arising from discussion, the following points were made:

(i) Overall members welcomed the Strategy and supported its proposed approach. Members felt the length of the Strategy was appropriate and found it easy to follow.

(ii) Members agreed that the pandemic had taught the Council and residents a lot about how the Council connected with communities, and what support it offered. It also showed how communities themselves could come together without instruction to address issues locally. Communities had worked very hard during the pandemic and it was important to recognise this and ensure the Council continued to support that activity as much as possible.

(iii) A member commented on the importance of the priority ‘prevention. As pressure on the Council’s resources continued, preventing and reducing demand would be critical.

(iv) A member raised concern that much of what was set out in the Strategy was similar to the Government’s ‘Big Society’ approach which did not deliver on the grounds it was impractical. It was emphasised that the principal behind Big

Society was to look at what communities could do for themselves. However, the Strategy focused on and made clear what the County Council's role would be in supporting and engaging with communities to respond to local needs.

(v) It was recognised that communities were now being asked to do things that previously the Council would have managed/provided, but reduced resources meant this was no longer possible. A member commented that whist frustrating for many, until the Council's fair funding campaign was recognised and taken forward by the Government, the situation would not improve.

(vi) A member expressed strong criticism of the Strategy and the Strategic Plan on the basis that, in their view, unparished areas and the issues affecting them were not being adequately represented. It was argued that much information on which the Council acted was skewed in favour of parished areas despite the fact that 38% of Leicestershire residents (noting that this percentage differed from that suggested by another member under consideration of the Strategic Plan), did not live in a parished area. By way of example, the member highlighted a recent County wide bus survey undertaken by the Council, the responses to which had been dominated by parish councils which the member argued distorted the issues drawn out from that consultation in favour of those affecting parished areas. Matters affecting unparished areas which were largely urban, with heavier traffic and with higher employment were different and the member expressed concern that these would not be adequately captured by the approach set out in the refreshed Communities Strategy and Strategic Plan, nor through the Councils consultation processes.

The Assistant Chief Executive undertook to consider if the balance in references to parish/town councils compared to other voluntary and community groups was correct, but commented that it would not be accurate to say unparished areas were not supported by this Strategy or the Strategic Plan. Members noted that it had never been the intention that the Council would just work with parish and town councils on community issues; the Council had always and would continue to work with a wide range of voluntary and other groups that operated in those areas. Further consideration would be given to making this clearer.

(vii) The Commission sought reassurance that the Council's consultation processes were full and proper, in particular with regards to the cross section of those consulted. Members noted that the Council had an active consultation and engagement group that brought together officers from different departments, including legal services, to ensure consultations were undertaken in the right way, had the right capacity to ensure they would be effective, reached as many people as possible and specifically targeted those that might be most affected. The Assistant Chief Executive further confirmed that the Council also undertook significant engagement outside the formal consultation process to strengthen the breadth of information it received. The Head of Law also provided reassurance that the Council was well versed in its statutory responsibilities regarding consultations and there had been no legal challenge of the processes it had followed and the consultations it had undertaken.

(viii) A member challenged how joined up departments were with the central Community Engagement Team when operational decisions were taken that might significantly impact an individual community, particularly given the disappointment and frustration these could generate. The member referenced as an example a recent decision not to seek funding to support the extension of a footpath in their area which had caused some frustration locally. The Assistant Chief Executive undertook to consider how cross communication around such matters might be improved but commented that the Outcome Boards established to have oversight of delivery of the Strategic Plan should help pick up and address such matters in the future.

(ix) A member asked that consideration be given to how best to share more information with members, so they were aware of what was being put out to their communities. As community leaders, it was highlighted that they too had an important role to play in building communication links with and signposting their constituents to the support available.

(x) A member suggested that there was some confusion around what services the Rural Community Council (RCC) provided for parish and town councils and how this compared to the support provided by the LRALC (Leicestershire and Rutland County Association for Town and Parish Councils). It was noted that the Council provided grants to the RCC and LRALC and therefore access to some RCC services was available to all. A member suggested this did not appear to be well understood and that greater clarity was needed.

(xi) A member commented that volunteers played a vital role in communities and suggested that the Council could have a more ‘can-do’ approach to support them, noting that there might be risks and insurance implications that needed to be managed.

RESOLVED:

That the comments now made be considered a part of the consultation on the refreshed Communities Strategy for 2022 to 2026.

49. <u>Leicestershire Domestic Abuse Reduction Strategy 2022 - 2025</u>

The Commission considered a report of the Director of Children and Family Services, which advised of new duties placed on the County Council by the Domestic Abuse Act 2021 which recently came into force and to seek its views on the draft new Leicestershire Domestic Abuse Reduction Strategy 2022-2025, as required by this new piece of legislation. A copy of the report marked ‘Agenda Item 10’, is filed with these minutes.

Arising from discussion, the following matters arose:

(i) Members welcomed the new funding which had been allocated to the County and district council’s and supported the proposed approach as set out in the draft Strategy. Members commented that the additional funding would enable greater support to be provided to victims of domestic abuse at what was a very critical time, given the impacts of the Covid-19 pandemic and the national and local lockdowns. Members noted that once the Strategy had been agreed, an action plan would be developed with partners and overseen by the required new Domestic Abuse Partnership Board. A Member highlighted that current partnership arrangements in this area were already well established and worked very well and building on those existing arrangements would be the right approach.

(ii) Members noted that the new funding would be used to provide services such as advocacy support, and specialist support for victims with protected characteristics or complex needs once they were in safe accommodation. Consideration would be given to how best to add capacity and build on existing services mainly through greater support for the voluntary sector which provided almost all services to victims of domestic abuse. There would also be some services that would be entirely new, and these would be developed to reflect the needs of underrepresented groups such as males, and LGBT and Gypsy, Roma and Traveller victims.

(iii) A member emphasised that uncertainty around the level of demand for services, given the impact of the pandemic, and ensuring this could be adequately met would be a key issue. The Director advised that the new funding would certainly help over the next year, perhaps couple of years, to respond to the expected increased demand, but said that sustainability would be a risk. This would be managed through commissioning plans for new and revised services so far as possible, but Members acknowledged that there would inevitably be some reliance on further Government funding coming forward.

(iv) Members noted that the new responsibilities placed on the County Council did not require it to provide accommodation and that the funding allocated could not be used to purchase or rent properties for victims of domestic abuse. The Director reported that district councils would receive funding of approximately £33,000 and each proposed to use this to appoint new domestic abuse housing officers that would act as a conduit between private housing providers, district councils, the County Council and victims. A Member highlighted that this would be especially important for those district councils that did not have their own council housing supply.

(v) Members were pleased to hear that victims were now given priority status when they presented as being homeless to a district council. However, it was acknowledged that, despite this and the planned appointment of new domestic abuse housing officers, the provision of suitable accommodation for victims would continue to be a very difficult issue to resolve. The Needs Assessment had confirmed there was a general lack of accommodation for victims of domestic abuse in the area and this was a problem being seen nationally.

(vi) Enabling victims to stay in their own homes would be a priority where this was considered appropriate and safe to do so, particularly when children were involved. However, circumstances were often complex and there were instances when it would be necessary to move the victim from the property and even the locality for their own safety. It was acknowledged that each case needed to be addressed on its own circumstances. A Member shared her personal experience in this regard which was commended by the Commission.

(vii) In response to a question raised, the Director confirmed that therapeutic support for children and young people would include young carers when abuse was perpetrated in the home. It was recognised that they might be under specific pressures and this was something being investigated further by the Department and partners given the impacts of the pandemic throughout 2020. The Lead Member emphasised that the County Council provided significant support to young carers that were known to it. However, it was recognised that there were likely more living in the area that were not known to any services, including schools.

The Council and partners were seeking to identify and support such people generally and in particular where domestic abuse was an issue.

(viii) What was regarded as domestic abuse was not always clearly understood by perpetrators or victims and a key piece of work would be ensuring the public understood what was and what was not appropriate behaviour. The complexity of domestic abuse cases made it difficult to always assess and identify the correct support required. For example, family conflicts did not always result in domestic abuse, but the impact of that conflict could be damaging and far reaching, especially for children. A Member emphasised that the threat to predominantly male victims of not being able to see their children was also a key factor that domestic abuse charities were aware of. Members were reassured that the Children and Family Services Department was working to support families and to help identify when domestic abuse was an issue. Members were also pleased to hear that communications work and training could be improved with the use of the additional funding now allocated which would ensure the right support was being provided to both individuals and their families.

(ix) The Lead Member highlighted that the Police and Crime Commissioner had allocated funding for a Perpetrators Programme which aimed to help people who have been abusive to change their behaviour and to develop respectful, non-abusive relationships. This was a key piece of work that helped to break the cycle of abuse and worked well alongside the programme of work aimed at supporting the victims of that abuse.

(x) Assurance was provided that Police representatives had been involved in discussions regarding the development of the draft Strategy. Domestic abuse was a strategic priority for the Police and one they took very seriously. Members noted that new recruits undertook comprehensive training around domestic abuse and completed a domestic abuse dash risk assessment in every case they attended. The Police also led the Leicestershire Multi Agency Risk Assessment Conference to which high risk cases were referred for consideration with partners.

(xi) Members noted that Clare’s Law was now in force on a statutory footing and this gave any member of the public the right to make a Domestic Violence Disclosure Scheme application asking the police if their partner may pose a risk to them. This could include an enquiry into the partner of a close friend or a family member.

(xii) A Member highlighted that a key problem in domestic abuse cases was the need to obtain evidence to support police and subsequently court action and that cases could become protracted which was extremely distressing for victims. The Director emphasised that whilst this was an issue, training and improved data had vastly improved to address this, though it was recognised that more needed to be done. The Lead Member further emphasised that whilst a lack of evidence might affect the pursuit of a case by the Crown Prosecution Service, this did not affect the County Council and its partners proving support to victims which was based on need, not evidence.

RESOLVED

That the comments now made be report to the Cabinet at its meeting on 14th December 2021.

50. Annual Delivery Report and Performance Compendium 2021

The Commission considered a report of the Chief Executive which presented the draft Annual Delivery Report and Performance Compendium for 2021 and which set out some of the impact, significant work and reorientation required to support the Council's major response to the coronavirus pandemic and planning for recovery, which remained ongoing. A copy for the report marked 'Agenda Item 11' is field with these minutes.

Arising from discussion and questions asked, the following points were made:

(i) A member highlighted the stark contrast in funding received by local authorities and that those located in London/to the South west were generally far better funded than some other areas particularly in the midlands and to the north. It was recognised that the calculation of local government funding had become increasingly complex over the years and it was suggested that a simplified explanation of this would be useful. The Chief Executive confirmed that the Director of Corporate Resources would be able to provide such an explanation.

(ii) A member commented that the Council had performed well despite its low funded position and had done so year on year for some time. It was suggested that this painted a picture that did not perhaps support the Council's Fair Funding campaign. The Chief Executive emphasised that looking at just the currently available performance data in isolation did not provide the whole picture and highlighted that the report included details of the pressures, risks and demands faced by the Council going forward. The Council had done well despite its low funded position, but it was recognised that this was very unlikely to continue with the demand and funding pressures now emerging and the level of cuts still required.

(iii) It was suggested that the Covid-19 pandemic had potentially been a tipping point for Leicestershire and it was clear that the County Council could not continue to meet all the demands put on it by Government, other stakeholders and service users, as well as make the savings required to achieve a balanced budget. Members recognised that the Council was becoming increasingly stretched and this would inevitably start to impact service delivery. Members acknowledged that the County Council had established strong financial foundations over a number of years and had so far been able to respond to pressures, but that it could not continue to meet all the new future demands identified around adult social care and the environment agenda, for example, on the funding currently allocated.

(iv) A Member emphasised that recent reports had suggested that the County Council would be unlikely to benefit from the levelling up agenda despite being one of the lowest funded county councils in the country. The identified and growing funding gap in the Council's Medium Term Financial Strategy would likely therefore have to be addressed locally which would inevitably affect both service delivery and council tax rates, unless the Fair Funding campaign was successful.

(v) Some members expressed frustration at the length of the main report, particularly as this was a public facing document, and suggested that it risked obscuring those key issues both members and the public should concentrate on. It was noted that the Council was obliged to report and include certain performance information to meet its regulatory requirements and that this had increased this year due to new Covid guidance being introduced. However, the Chief Executive recognised that the scale of the information provided was significant and undertook to consider how best to present this in future.

(vi) The Commission was concerned about the extent to which the report covered wider national issues and pressures rather than focusing on Leicestershire pressures and the County Council's direct areas of responsibility and identified outputs. Whilst informative in providing an overall local and national picture, it was suggested that the lack of focus on County Council activities made effective scrutiny of the Authority's overall performance difficult.

(vii) The Commission indicated that in future years, it would like for the report, at least for the benefit of scrutiny, to be linked to the direct work of the County Council in order that it could see more clearly where the Council had made an impact and where performance might be below expectation. This would enable the Commission to better identify those areas that may benefit from closer scrutiny in the future.

(viii) A member suggested that the inclusion of some comparison figures would be helpful to provide some context of what the Council had done in the last year to deliver, for example, sustainable transport options (e.g. to what extent had it had extended or introduced new cycleways and footpaths). It was further suggested that this would better demonstrate some of the negative consequences of the financial pressures faced by the Council e.g. showing how dry waste recycling rates had reduced due to less favourable contract arrangements having to be agreed by the Council in line with Government policy.

(ix) A member suggested that the use of percentages within the report could be misleading and requested that instead, the actual figures might provide for a better understanding of the data by members and the public.

RESOLVED:

That the comments now made by the Scrutiny Commission be presented to the Cabinet at its meeting 19th November 2021.

51. Recommended Investment into Partners Group Private Debt Fund and JP Morgan Infrastructure Investment Fund

The Commission considered a report of the Director of Corporate Resources which would be presented to the Cabinet at its meeting on 19th November 2021 regarding proposed investment by the Council's Corporate Asset Investment Fund (CAIF) into Partners Group multi asset credit 6 (MAC 6) private debt, and JP Morgan Infrastructure Investment Fund (IIF). A copy of the report marked 'Agenda Item 12', is filed with these minutes.

During discussion, the following matters were raised:

(i) It was highlighted that the proposed investment in the IIF managed by JP Morgan would be a step away from the traditional types of investment made by the Council through the CAIF (i.e. the purchase of land and property). It was noted that the IIF was generally focused on companies that provided essential services, such as energy, water and transportation, such companies being primarily located in the US.

(ii) A member highlighted that this would essentially be an investment in non-tangible funds similar to those made by the Leicestershire Pension Fund and questioned whether assurance had been sought to ensure such investments would align with the Council's environment and social policies. The Director confirmed that a key part of the Council's own due diligence (separate from that of the Leicestershire Pension Fund) included consideration of whether JP Morgan would be a responsible investor both from a human and environmental perspective, particularly given that it would manage these investments over a long period of 20-30 years.

(iii) Members welcomed the fact that the IIF had just turned carbon neutral and noted that this had been a key factor when considering the merits of the potential investment. Members noted that a quarter of the IFF portfolio was invested in renewable energy and included companies which were proactively implementing climate change adaptation, harnessing new opportunities in clean energy and involved in wind, solar and natural gas generation projects.

(iv) The proposed investments were considered sensible, providing the necessary diversification recommended by the Hymans Review and a reasonable return. A Member suggested, however, that the biggest risk would be the exchange risk as the investments would be reliant on the strength and value of the US dollar (for the JP Morgan IIF) and the Euro and sterling (for the Partners MAC 6 private debt investment). It was questioned whether there would be any forward hedging to protect against this. It was suggested that the purchase of low cost forward options should perhaps be considered.

The Director acknowledged that whilst there was some risk, forward hedging was not being considered at the current time given that the investments would be held for such a long term. The Director confirmed that whilst there would likely be fluctuations in the market, overall, the risk was considered manageable. The Director, however, undertook to consider this further and seek advice on the cost and benefit of the suggested approach from the Council's independent advisors.

RESOLVED:

That the comments now made be reported to the Cabinet at its meeting on 19thNovember 2021.

52. <u>2021/22 Medium Term Financial Strategy Monitoring (Period 6)</u>

The Commission considered a report of the Director of Corporate Resources the purpose of which provided an update on the 2021/22 revenue budget and capital programme monitoring position as at the end of period 6 (the end of September). A copy of the report marked 'Agenda Item 13' is filed with these minutes.

Arising from discussion, the following points were made:

(i) Concerns were raised regarding the forecasted increase in overspend for SEND from £5.7m to £10.5m despite steps having been taken to build capacity in the system. It was recognised that this was a national issue with no easy answer as demand continued to increase year on year. The Director reported that the national deficit for all county and unitary authorities around SEND was approximately £700m. The Director advised that it was not yet clear what funding would come out of the Department for Education (DfE) to help tackle the problem, but it was thought it would likely extend its 'safety net' programme. Through this the DfE had worked with those authorities with the largest deficit, paying some of this off but also setting requirements for that authority to reduce costs going forward which the Director said would be welcomed.

(ii) Members were pleased to note that the government's spending review had been better than expected, and the Council had received a small increase in funding. However, it was recognised that there were huge demands on the Authority, with SEND being one of the largest, and there would therefore continue to be significant pressures ahead.

(iii) It was not yet clear whether the Council would benefit from the Government's levelling up agenda. Whilst low funded, Leicestershire did not have a low tax base which seemed to be the key consideration for identifying those areas that would benefit.

(iv) The SEND capital programme had been a success and it was questioned whether there might be revenue benefits to be had in accelerating the programme. The Director advised that the programme had been funded from the Council's own resources (not DfE funding) and given other pressures already on the capital programme generally, there was no capacity to push this forward at this time. Members recognised that even with additional resources to build more capacity, the continued rise in demand meant reducing this would also have to be addressed.

(v) Acknowledging the need to address demand, a member questioned whether the Council had the right expertise to defend decisions when these were challenged. It was noted that the reforms introduced in 2014 rightly put children at the heart of decisions around SEND support needs, but as a result, decisions challenged at a Tribunal were largely overturned and this in turn risked having a further negative cost impact on the Council's resources.

(vi) In response to a question, members noted that the concessionary travel underspend resulted from a reduced number of journeys being taken and if these stayed low then the underspend would persist. However, the Director highlighted that these savings were being counter balanced resulting pressures on bus services which the Council subsidised.

(vii) Members noted that the decision regarding HS2 had not yet been confirmed. The Director advised that money allocated to make the most of HS2 for the benefit of Leicestershire may still be used, but this depended on whether HS2 would go ahead and if not, what might replace it.

RESOLVED:

That the update on the 2021/22 revenue budget and capital programme monitoring position as at the end of period 6 (end of September) be noted.

53. Dates of future meetings.

RESOLVED:

That meetings in 2022 be held on the following dates starting at 10.00am:

31st January
9th March
6th April
8th June
7th September
9th November

10.00 am - 2.25 pm CHAIRMAN
17 November 2021

Leicestershire County Council

SCRUTINY COMMISSION – 31ST JANUARY 2022

PROVISIONAL MEDIUM TERM FINANCIAL STRATEGY 2022/23 - 2025/26

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. The purpose of this report is to:

   a) Provide information on the proposed 2022/23 to 2025/26 Medium Term Financial Strategy (MTFS) as it relates to Corporate and Central Items;

   b) Provide an update on changes to funding and other issues, arising since the publication of the draft MTFS;

   c) Provide details of the following strategies and policies: Earmarked Funds Policy, Capital Strategy and the Corporate Asset Investment Fund Strategy;

   d) Ask members of the Commission to consider any issues as part of the consultation process and make any recommendations to the Cabinet accordingly.

Timetable for Decisions (including Scrutiny)

2. On 14th December 2021 the Cabinet agreed the proposed MTFS, including the 2022/23 revenue budget and 2022/23 to 2025/26 capital programme, for consultation. The Overview and Scrutiny Committees and the Scrutiny Commission will consider the proposals during January 2022.

3. An update of the MTFS will be reported to the Cabinet on 11th February 2022, and then to the County Council on 23rd February 2022 to approve the MTFS including the 2022/23 revenue budget and capital programme. This will enable the 2022/23 budget to be set before the statutory deadline of the end of February 2022.

Policy Framework and Previous Decisions

4. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council on 17th February 2021. The County Council's Strategic Plan (agreed by the Council on 6 December 2017) outlines the Council's long-term vision for the organisation and the people and place of Leicestershire. The MTFS, along with other plans and strategies such as the Transformation Programme, aligns with and underpins the Strategic Plan.

MTFS Summary – Cabinet 14th December 2021

5. The draft MTFS was approved by the Cabinet on 14th December 2021.

6. The key revenue budget details were:

   - One year Local Government Settlement
   - No Revenue Support Grant
   - Council Tax increase of 1.99% plus 1% Adult Social Care Precept in 2022/23, and 1.99% for the following three years
   - Growth of £88m is required, primarily to meet the forecast increase in demand for social care
   - Provision for pay and price inflation, £69m, driven by the National Living Wage (NLW) and relatively high inflation forecasts for 2022/23
   - Savings required of £100m - of which £40m are identified, £14m relate to Special Education Needs, leaving a shortfall of £46m to be found.

7. The key capital programme details were:

   - The draft four-year capital programme totals £514m
   - Capital funding available totals £363m
   - Balance of £161m, temporarily funded from the County Council's internal cash balances in advance of section 106 contributions and other funding being received in the future, e.g. increased capital receipts or new grants.

Changes to the Revenue Budget 2022-26

8. A summary of the overall MTFS revenue position as reported to Cabinet on 14th December 2021 is shown in Appendix A.

9. Since the report to the Cabinet, the Local Government Settlement was announced. Changes from the settlement and other known issues since then are summarised below.

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Shortfall at 14th December 2021	0.0	11.5	29.0	46.4
Funding changes				
Business Rates Section 31 Grant	-1.3	-1.3	-1.3	-1.3
New Homes Bonus Grant	-1.2	0.0	0.0	0.0
Improved Better Care Grant	-0.5	-0.5	-0.5	-0.5
Social Care Grant	-5.7	-5.7	-5.7	-5.7
Services Grant (2022/23)	-4.3	0.0	0.0	0.0
New Grant (assumed share of £1.6bn - replaced)	8.0	8.0	8.0	8.0
Market Sustainability & Fair Cost of Care	-1.6	-1.6	-1.6	-1.6
Council Tax Precept	0.6	0.6	0.6	0.6
Council Tax Collection Funds	-2.0	0.0	0.0	0.0
Provision for impact of Covid-19 on funding	-1.0	-1.0	-1.0	-1.0
Budget Equalisation Earmarked Fund – contribution changes	7.4	-5.7	-7.1	-8.3
Other Changes				
Inflation Contingency	1.6	3.6	3.6	3.6
Other	0.0	0.0	-0.2	-0.8
Revised Shortfalls	**0.0**	**7.9**	**23.8**	**39.4**

10. Business Rates Section 31 Grant – the provisional Settlement includes section 31 grants reflecting CPI inflation, whereas the final Settlement will be updated to reflect RPI inflation levels, which will increase income to the Council by around £1.3m.

11. New Homes Bonus (+£1.2m) updated estimate per the 2022/23 Local Government Finance Settlement. The Settlement includes an additional year of the grant and the remaining legacy amount of £0.9m, in respect of 2019/20, both of which will be phased out by 2023/24.

12. Improved Better Care Fund (+0.5m) updated estimate per the 2022/23 Settlement.

13. Social Care Grant (+£5.6m) increased allocation in the Settlement. The allocation includes an adjustment based on the relative levels of funding that Councils can raise from council tax (via the Adult Social Care Precept), which reallocates grant from areas such as County Councils to areas with low council tax levels, particularly in London. This is causing the County Councils share of the national allocation to reduce each year.

14. Services Grant 2022/23 (+£4.3m). The Settlement includes a one-off grant of £822m nationally, of which the County Council will receive £4.3m. The Settlement states that “This will provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. This grant includes funding for local government costs for the

increase in employer National Insurance Contributions" and also that the Government "intends to work closely with local government on how to best use this funding from 2023/24 onwards".

15. New Grant 2022/23 (-£8.0m). The draft MTFS included an estimate that the County Council would receive around 0.5% of the additional funding referred to in the Chancellor's Spending Review. That assumption can now be removed and be replaced by the grants announced in the Settlement.

16. Market Sustainability and Fair Cost of Care Fund (+£1.6m). The Settlement includes £162m for this new ringfenced funding, of which the County Council will receive £1.63m. The funding is towards the inflationary and demographic pressures facing adults and children's social care services. The central inflation contingency will be increased by £1.6m to reflect this additional funding.

17. Council tax precept 2022/23 tax bases provided by the District Councils are 0.2% lower than previously anticipated, leading to a £0.6m reduction in income. This is offset by the removal of a £1m provision included in the draft MTFS for the impact of Covid-19 on income levels.

18. Provisional council tax collection fund estimates for 2021/22 have now been received from the billing authorities which shows an increase of £2m compared with the previous estimate. These are currently being checked and validated prior to the final position being confirmed.

19. The net changes to the 2022/23 budget total £7.4m, which can be contributed to the budget equalisation reserve to provide cover for budget shortfalls in later years. In addition, the latest assessment of the High Needs Block position for 2023/24 to 2025/26 is reporting a reduction in the deficit due to higher than expected government grant allocations in the Settlement, allowing for reduced contributions to the budget equalisation reserve of £5.7m, £7.1m and £8.3m. The overall High Needs deficit, by the end of the MTFS, is now forecast to be £63m compared with £86m reported in the draft MTFS report to the Cabinet in December 2021.

20. The contribution to the budget equalisation reserve in 2022/23 includes £0.1m to fund a temporary policy officer to implement an anti-racism strategy (£80,000 over 2 years) and to provide funding for Highways closures for the Queens Jubilee celebrations in 2022 (£50,000).

21. The central inflation contingency will be increased by £1.6m in 2022/23 to reflect the Market Sustainability and Fair Cost of Care funding referred to above, and then by a further £2m from 2023/24 for increasing estimates of inflation. Overall this provides £29m for inflation in 2022/23 rising to £72m by 2025/26.

22. Other changes include, the Financing of Capital and the Bank and Other Interest budgets which have been adjusted for the combined effects of -£0.2m in 2024/25 and -£0.8m in 2025/26 due to the latest forecasts on the financing of the capital programme.

23. The above changes have not yet been reflected in the Appendices to this report. The net effect of these changes will be proposed to the Cabinet to be added to the budget equalisation reserve to fund the 2023/24 MTFS deficit. The detailed updates will be included in the updated proposals to the Cabinet on 11th February 2022.

Corporate and Central Items

24. Details of the corporate and central items elements of the MTFS are shown in Appendix B.

DSG (Central Dept Recharges)

25. A total of £2.3m is set aside from the DSG to fund central department costs of Schools.

MTFS Risks Contingency

26. In common with previous years the proposed MTFS includes a contingency of £8m in 2022/23 and later years for other specific key risks that could affect the financial position on an ongoing basis. Examples include:

- The non-achievement of savings.
- Certainty of partner funding, for example services provided through the Better Care Fund (BCF).
- Pressure on demand led-budgets particularly in social care.
- Maintaining the level of investment required to deliver savings.
- New service pressures that arise.

27. When the contingency is released ‘free’ resources are directed toward the Future Developments earmarked fund to reduce the shortfall in capital funding discussed later in this report.

Contingency for Inflation / Living Wage

28. A total of £28.7m has been included in the latest MTFS for 2022/23, rising to £43.4m in 2023/24, £57.8m in 2024/25, and £72.2m in 2025/26. This contingency will be allocated to services as necessary.

29. The main components of the contingency are provisions for:
    - Pay awards £22m
    - Pension contribution increases £4m
    - National Insurance increase £3m
    - National Living Wage/ Adult Social Care fee reviews £30m
    - Other running costs, net of income £12m (£2m higher than draft MTFS)
    - ASC reforms £1.6m (introduced since draft MTFS)

30. The MTFS provides for annual pay awards in 2022/23 onwards of 2.5%, with an allowance for higher increases in the lower Grades to reflect the impact of the National Living Wage (NLW).

31. The central inflation contingency includes provision for an increase of 1% each year in the employers' pension contribution rate, in line with the requirements of the actuarial assessment.

32. The contingency provides for estimated costs of £3m for the impact of the new "levy" for Health and Social Care, which will be an increase to National Insurance in 2022/23, followed by a separate Levy from 2023/24 onwards.

33. The contingency includes provision of £30m for anticipated increases in costs driven by increases in the NLW, with Adult Social Care costs being the main contributor. The Government's stated policy remains for the NLW to increase to £10.50 per hour by 2024, an increase of 18% from the current level (£8.91). There is a risk that the NLW could be higher than £10.50 as it is linked to two thirds of median earnings which could be higher than the Government originally anticipated in 2020.

34. The Government's preferred measure of inflation is the Consumer Price Index (CPI), which the Bank of England is tasked with targeting at a 2% rate. However, the Council's cost base does not always reflect these household inflation measures. Energy and fuel increases, for example, have a much more significant impact. To compensate, the draft MTFS assumes 5% for 2022/23 and 3% per annum inflation over the period 2023/24 to 2025/26 for other running costs. Conversely elements of the County Council's cost base do not inflate. For example debt financing and fixed price contracts, as a result no inflation provision is applied to 25% of the cost base.

35. The level of inflation contingency is assessed on an annual basis. This allows any over or under provision to be adjusted for without balances building, which could be directed to service provision, or unmanageable liabilities growing.

Financing of Capital

36. Capital financing costs are expected to increase to £19.5m in 2022/23 (from £19.0m in 2021/22) and then to rise to £20m in 2023/24, £21m in 2024/25 and £23m in 2025/26. The increase is as a result of increasing financing requirements for the capital programme.

Revenue Funding of Capital

37. The budget includes revenue funding of capital expenditure, mainly for the Corporate Asset Investment Fund and for Future Developments, as described under the capital section later in the report. The latest position includes a total of £2.5m in 2022/23 and £1.5m from 2023/24 onwards.

Central Expenditure

38. The 2022/23 budget includes:

- Pensions (£1.4m) - funding for added years, agreed before and as part of Local Government Reorganisation in 1997;
- Members' Expenses and support (£1.2m);
- Flood Defence Levies (£0.3m) payable to the Environment Agency;
- Elections (£0.2m) annual contribution to an earmarked fund to fund County Council elections;
- Financial Arrangements (-£0.8m) – including income from Eastern Shire Purchasing Organisation (ESPO) surpluses and external audit fee costs. This includes a saving of £150,000 (rising to £250,000 by 2024/25) from growth in ESPO's net income.

Other Income

39. The 2022/23 budget includes a budget of £1.4m for Bank and Other Interest, relating to income from treasury management investments. The forecast increases to £1.6m in 2023/24 and then reduces to £1.3m in 2024/25 and £0.7m in 2025/26, as balances are forecast to be used to fund the capital programme. The levels of interest are based on the expectation that Bank of England base rates will remain at a low level for the foreseeable future.

Corporate Growth and Savings

40. G34 - Corporate Growth contingency - £7.1m in 2023/24, rising to £13.6m in 2024/25 and £20.0m in 2025/26. This has been included to act as a contingency for potential further cost pressures in the later years of the MTFS – the value has been set based upon historic levels of growth incurred. Without the use of such a contingency the County Council is likely to be required to make savings in a very short time period.

Adequacy of Earmarked Funds and Robustness of Estimates

41. The Local Government Act 2003 requires the Director of Corporate Resources to report on:

a) The adequacy of reserves, and
b) The robustness of the estimates included in the budget.

42. The financial environment continues to be challenging with a number of known major risks over the next few years. These include:

- Ongoing impact of Covid 19.
- Higher inflation levels than currently allowed for in the Inflation Contingency.
- Non-achievement of savings and income targets. The requirement for savings and additional income totals £100m over the next four years of which £46m is unidentified. Successful delivery of savings is dependent

upon a range of factors, not all of which are in the control of the County Council.

- The financial positions of Health and Social Care are intrinsically linked and of growing importance. Depending on the financial position of the Clinical Commissioning Groups, the implications for the County Council could be reductions in the funding received through the BCF and additional costs as a result of changes in the NHS, such as the Transforming Care programme that will move more care into the community or the discharge process from hospital.
- Service pressures resulting in an overspend, including demand-led children's and adult social care, particularly on the children's social care and SEN placements budget.
- Continued increase in the National Living Wage, only notified a few months in advance of each financial year. Compounded by higher anticipated wage inflation.
- The strength of the economy dictates the funding of the public sector, both directly through council tax and business rate income and indirectly through the influence on Government funding decisions.
- The increasing reliance on income generated from services in other parts of the public sector. Given the much tighter financial environment for the sector it will be challenging to maintain or keep increasing income.
- 2023 is a year which could see the biggest changes to local government for a generation. The following initiatives are all now planned or anticipated to be implemented in that year, although further delays would not be unexpected:

    - Review of Business Rate retention, including significant new responsibilities and a "reset" of the system's baselines (deferred from April 2020).
    - Fair Funding Review, covering redistribution of funding nationally (deferred from April 2020).
    - Health Integration plans implemented (deferred from 2020).
    - Review of SEND reforms.

43. There are a number of ways that risks will be mitigated and reduced. These are summarised below and explained in more detail in the following paragraphs:

    - General Fund
    - MTFS Contingencies
    - Earmarked funds
    - Effective risk management arrangements.

General Fund

44. The General Fund balance is available for unforeseen risks that require short term funding. The forecast balance on the General Fund (non-earmarked fund) at the end of 2021/22 is £18m which represents 3.9% of the net budget (excluding schools' delegated budgets). It is planned to increase the General Fund to £22m by the end of 2025/26 to reflect increasing uncertainty and risks

over the medium term, and to avoid a reduction in the percentage of the net budget covered. These risks come in a variety of forms:

- Legal challenges such as judicial reviews that require a change in savings approach.
- Legislative changes that come with a financial penalty, for example General Data Protection Regulations (GDPR).
- Service provision issues that require investment, for example the capital investment to support the High Needs Block Development Plan.
- Variability in income, particularly from asset investments.
- Ongoing impact of Covid-19.

Earmarked Funds

45. The estimated balance for revenue earmarked funds (excluding schools and partnerships) as at 31 March 2022 is £85.1m and for capital funding purposes £97.3m, based on the latest information. This is set out in detail in Appendix C to this report. The final level of earmarked funds will be subject to the actual expenditure and any partner contributions, e.g. health funding arrangements and specific grants.

46. Earmarked funds and balances are held for specific purposes in line with the Council's Earmarked Funds Policy attached as Appendix D. The main earmarked funds and balances projected at 31 March 2022 are:

(a) Capital Financing (£97.3m). This fund is used to hold MTFS revenue contributions to match the timing of capital expenditure in the capital programme and also holds the balance of contributions that will be used to fund future developments, mainly capital projects, as they are approved.
(b) Insurance (£13.3m). Funds are held to meet the estimated cost of future claims to enable the County Council to meet excesses not covered by insurance policies. The levels are informed by recommendations by independent advisors. The insurance earmarked funds includes funding for uninsured losses (£5.3m). This is mainly held to meet additional liabilities arising from Municipal Mutual Insurance Ltd (MMI) that is subject to a run-off of claims following liquidation in 1992 and also of other failed insurers such as The Independent Insurance Company.
(c) Budget Equalisation Fund (£40.9m) – fund to manage variations in funding across financial years. This includes the increasing pressures on the High Needs element of the Dedicated Support Grant (DSG) which forecasts a deficit of £28m by the end of 2021/22. The fund includes £7.8m earmarked to offset the forecast 2023/24 net MTFS deficit and a further £5.0m to contribute to the forecast 2024/25 deficit. The intention is to manage these through further ongoing cost reductions.
(d) Transformation (£4.2m). The fund is used to invest in transformation projects to achieve efficiency savings and also to fund severance costs.
(e) Covid-19 Council Tax etc (£4m). The fund will be used to offset any longer term reductions in Council Tax and Business Rates as a result of the economic impacts of the pandemic.

(f) Funds for specific departmental infrastructure, asset renewal and other initiatives (£22.7m).
(g) Pooled Property investments (-£23.6m) – invested against the balance of earmarked funds held.

47. Grant Thornton UK LLP, the County Council's external auditor, has reviewed the level of earmarked funds held by the County Council in respect of financial sustainability as part of its value for money review of the current MTFS and reported no issues In their latest audit Grant Thornton commented that "Leicestershire County Council has a good track record of sound financial management. The Council understands the financial risks which it faces and managed these risks by maintaining an appropriate level of reserves and sound financial management".

School Balances

48. Balances are also held by schools. They are held for two main reasons. Firstly, as a contingency against financial risks and secondly, to save to meet planned commitments in future years. The balance at 31st March 2021 was £9.7m. The balance at 31st March 2022 has not been estimated but is expected to have reduced as a result of spending pressures. It is also affected by the number of schools converting to Academies.

Capital Programme 2022/23 to 2025/26

49. The programme has been updated for the latest programme of deliverability and resources. The overall approach to developing the capital programme is set out in the capital strategy (Appendix E) and is based on the following key principles:

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

50. The draft capital programme totals £514m over the four years to 2024/25, shown in detail in Appendix F. The programme is funded by a combination of Government grants, capital receipts, external contributions, revenue balances and earmarked funds.

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

52. The proposed programme can be summarised as:

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

Funding and Affordability

Forward Funding

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

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

- Opportunities to secure external funding are maximised, through successful bids.
- The final cost of infrastructure investment is reduced (compared with what it would be if construction was delivered incrementally as and when smaller developments come forward).
- The design is optimised, to the benefit of the local community.

55. There are risks involved in managing and financing a programme of this size. There is reduced scope for funding additional schemes that are identified in the future. And an increased reliance on developer contributions through section 106 agreements means that it may take many years for investment to be repaid. This could be further compounded in the event of an economic slowdown. To this end, support of district councils is essential to ensure the agreements reached with developers mitigate these risks.

56. Given the benefits to Leicestershire that the increased investment will bring it is considered that district councils should share in these risks in a proportionate way. The County Council continues to work with districts in relation to major

infrastructure schemes being progressed in their areas; district councils will benefit directly through additional tax revenues and increases in Government grants. However, the circumstances around individual projects vary. Hence unique measures need to be put in place to minimise the risks in each district area.

57. The risk with forward funding is that insufficient or delayed contributions, from developers, will fall upon the County Council. A key determinant in generating sufficient developer contributions is the approach taken by the district council, as the planning authority. The district council will set the local planning context against which section 106 agreements will be agreed and ultimately decide on planning permission.

58. A significant problem associated with funding major infrastructure projects is the way in which capital funding is allocated. Significant resource is required to develop bids which may ultimately be unsuccessful. Whilst it is important that robust business cases are developed to ensure the benefits of the project are sufficient to justify the investment, the fact that successful bids usually also need a degree of match/local funding to supplement grant money means that overall tight capital programmes become even more stretched. The County Council considers that such an approach is unsustainable and needs to be reviewed and will continue to raise this with central government.

59. The East Midlands is disadvantaged in terms of the ability to influence Government and attract investment or devolution opportunities compared to the West Midlands. There is an elected mayor and a combined authority for the West Midlands. Their most recent devolution deal (2017) includes £6m for a housing delivery taskforce, £5m for a construction skills training scheme and £250m to be spent on local intra-city transport priorities. The first devolution deal (2015) included over £1bn investment to boost the West Midlands economy.

60. The County Council is pursuing the possibility of a County Deal with Government which would provide a much more stable and sustainable approach to infrastructure decisions to be taken, and allow all funding received to be used in a more cost-effective manner.

Capital Programme Funding

61. The proposed capital programme funding is shown below.

Capital Grants	£191m
Capital Receipts from sales	£24m
Revenue/ Earmarked funds	£93m
External Contributions	£45m
Borrowing (from internal balances)	£161m
Total	**£514m**

Capital Grants

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

Children and Family Services

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

a) Basic Need – this grant provides funding for new pupil places by expanding existing schools and academies or by establishing new schools. Funding is determined through an annual submission to the DfE which identifies the need for additional school places in each local authority area. The DfE has announced details of the grant awards for 2022/23 (£8.8m). No details have been announced for future years. An estimate of £3m has been used for 2023/24 to 2025/26.

b) Strategic Capital Maintenance – this grant provides the maintenance funding for the maintained school asset base. Details of the grant for 2022/23 and future years have not yet been announced. An estimate of £2m per annum is included in the capital programme. It is expected that this grant will continue but will reduce as further schools convert to academy status.

c) Devolved Formula Capital (DFC) - funding provided to schools. The DfE has not yet announced details of grant allocations. However, an estimate of £0.5m per annum can be made, based on the number of maintained schools.

d) New (Free) School bid – the programme funding includes an £8m DfE grant to fund a new Social Emotional and Mental Health special school in 2023/24 required as part of the High Needs Development plan.

Adult Social Care

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

Environment and Transport

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

a) Integrated Transport Block - £2.7m p.a. (£10.9m overall).
b) Maintenance - £9.9m p.a. (£39.5m overall).

c) Transport Infrastructure Investment Fund (inc. Pot Holes) - £7.9m p.a. (£31.6m overall).

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

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

Capital Receipts

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

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

Revenue / Earmarked Funds/ Contributions

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

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

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

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

External Contributions and Earmarked Capital Funds

72. A total of £45.6m is included in the funding of the capital programme 2022-26, all relating to section 106 developer contributions.

Funding from Internal Balances

73. A total of £161m in funding required is included within the capital programme to fund the programme and enable investment in schools and highway

infrastructure to be made. Over the next 10 to 15 years it is anticipated that circa £39m of this funding will be repaid through the associated developer contributions.

74. Due to the strength of the County Council's balance sheet, it is possible to use internal balances (cash balances) to fund the capital programme on a temporary basis instead of raising new external loans. Levels of cash balances held by the Council comprise the amounts held for earmarked funds, provisions, the Minimum Revenue Provision (MRP) set aside for the repayment of debt and working capital of the Council. The cost of raising external loans currently exceeds the cost of interest lost on cash balances by circa 1.5%.

75. The overall cost of using internal balances to fund £161m of investment is dependent on what happens to interest rates in the coming years. For example, if the Bank of England base rate rises to 1.5%, it is estimated that internal borrowing will cost around £6.5m per annum by 2025/26, comprising MRP of £4m and reduced interest from investments of £2.5m. If external loans were to be raised instead, the cost is estimated to be £8m per annum on the basis that external borrowing rates would be around 2.5%. But because of the uncertainty on interest rates, this position will be kept under review as part of the treasury management strategy.

76. The County Council's current level of external debt is £263m. As described above this is not assumed to increase during the MTFS. The relative interest rates and cash balances will be kept under review to ensure that this is the right approach.

Capital Programme - Summary by Department

77. Over the period of the MTFS, a capital programme of £514m is required of which £141m is planned for 2022/23. The main elements are:

- Children and Family Services - £94m. The priorities for the programme are informed by the Council's School Place Planning Strategy and investment in SEND as part of the High Needs Development Plan.
- Adults and Communities - £27m. The programme includes £18m relating to the Disabled Facilities Grant (DFG) programme and schemes for the Social Care Investment Plan (SCIP).
- Environment and Transport - £226m. This relates to major schemes such as Melton Mowbray Distributor Road North/East and Southern Sections, Zouch Bridge replacement as well as the Transport Asset Management Programme and the Environment & Waste Programme. Other significant projects include Melton Depot replacement, vehicle replacement and advanced design.
- Chief Executive's - £0.7m, mainly Leicestershire Community Grants.
- Corporate Resources - £12m. This mainly relates to investment in ICT, transformation, property and environmental improvements.
- Corporate Programme - £154m. Investment includes the Corporate Asset Investment Fund (CAIF), the Future Developments fund (subject to business cases), and Major Schemes Portfolio Risk.

Changes to the Capital Programme 2022-26

78. Since the report to the Cabinet, the overall borrowing requirement is proposed to reduce from £161m to £143m following a review of reserves and contingencies held for Covid19 which are no longer expected to be required. The latest position shows that it is looking as though much of this provision will not be required and can be freed up to fund additional one-off expenditure. This includes; the £8m remaining balance from the Covid-19 and MTFS risks 2021/22 provision, reported to the Cabinet on 14th December 2021, and £5m set aside in the Council Tax / Business Rates losses reserve at year end in 2020/21.

79. The expenditure profiles on all schemes are also being reviewed and updated to reflect the last known position.

80. The above changes have not yet been reflected in the Appendices to this report. The detailed updates will be included in the updated proposals to the Cabinet on 11th February 2022.

Corporate Asset Investment Fund (CAIF)

81. As reported in the CAIF Annual Update to the Cabinet in September 2021, the Fund's value has grown year on year and as the value of the Fund increases, so the income produced also continues to grow and last year the Fund generated a net income of £4.6m. As at 31st March 2021, the capital value of the portfolio totalled £187.4m compared with the value as at 31st March 2020 of £170.9m (a 9.6% increase) during the period most impacted by the COVID-19 virus.

82. The strategy for the CAIF is reviewed regularly but the key objectives of the strategy remain:

- Ensuring that there is a diverse range of assets available to meet the aims of economic development.
- Increasing the size of the portfolio.
- Improving the quality of the assets.
- Ensuring the sustainability of the County Farms and industrial portfolios by replacing land and assets sold to generate capital receipts.
- Providing a revenue stream that can be used to support ongoing service delivery; and
- Ensuring that any development undertaken on land owned by the County Council (or sold to a 3rd party for development) is undertaken in accordance with the aims and aspirations of the County Council's
- Declaration of Climate Emergency and any development is therefore to be sustainable, low carbon and energy efficient.

83. An independent review of the Fund undertaken by Hymans Robertson in December 2020, and reflected in the current strategy, considered the current economic outlook and that of the real estate investment market in light of the COVID-19 crisis and the implications of Brexit. In line with other commentators, it acknowledged the challenges facing the market at the present time particularly the retail sector. Equally, it identifies the industrial, distribution and logistics

sectors as being the most resilient in current circumstances. Further, the report examined the potential to diversify the portfolio further by considering infrastructure investments and the need to consider the environmental, social, and governance credentials of future potential investments.

84. Broadly, the Hymans Robertson report made the following main recommendations:

- Investment in direct property assets should be focused on the industrial, distribution and logistics sectors especially given Leicestershire's location at the heart of the national transport network.
- Investment in the office and rural sectors should be maintained at current levels.
- Investment in the Pooled Property sector should be reduced over time and the funds reinvested in other more attractive investments such as diversified infrastructure. The private debt investments have potential to deliver stable returns and should be maintained or increased.
- Consideration should be given to investing in infrastructure and renewables either directly or via a pooled investment vehicle. Entry into the residential market is also recommended. To an extent the portfolio has an exposure to the residential market through the bringing forward of development sites However, the development and retention of residential properties within the portfolio would present particular legal problems for the County Council not being a housing authority.

85. These recommendations continue to be implemented and didn't require and significant change in strategy. The strategy will be updated next year, taking into account the latest market trends and the County Council's strategy development. The review should be in a position to address both the short-term effects and potential longer-term impact of the COVID-19 pandemic with a view to protecting the Fund's current portfolio and guide its future acquisitions strategy and development programme moving forward to ensure it maximises the benefits it delivers. A copy of the updated strategy for 2022-26 is attached as Appendix G.

Freeport

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

87. During the current year the County Council has funded costs around business case development and wider set up costs. Net costs are expected to total around £1m by the end of this current financial year. Agreement has been reached that any costs incurred by the County Council will be recovered from future retained business rates once the sites are up and running. However, this does mean that the County Council is required to cash flow at risk of non-designation.

88. The governance arrangements going forwards are currently being developed through an EMF constitution, which will be agreed and signed off by the EMF Board in the near future. The constitution will include measures to protect the overall financial exposure of the County Council in its capacity as Lead Authority/Designated Body. As part of this, consideration is being given to how EMF governance will link in with that of the East Midlands Development Corporation (The Integrated Rail Plan published in November referred to 'accelerating a delivery vehicle' for the sites identified by the Development Corporation.).

89. The County Council has committed £500,000 per annum, for three years, to the Development Corporation. This contribution will need to be kept under review, depending upon progress of the venture and commitment of local and national partners.

Budget Consultation

90. The Cabinet at its meeting in December 2021 approved the MTFS proposals for consultation. The consultation asked for views on the savings plan and the appetite for Council Tax increases. The consultation closed on 16th January 2022. There were 139 response which are currently being analysed. A report on the outcome will be included within the MTFS report to the Cabinet on 11 February 2022.

Results of Scrutiny Process

91. The Overview and Scrutiny Committees and the Scrutiny Commission have received detailed reports on the revenue budget and capital programme proposals, which can be viewed via the County Council's website (www.leicestershire.gov.uk). A summary of the comments arising from the meetings of Scrutiny bodies will be presented with the MTFS report to the Cabinet on 11 February 2022.

Equality and Human Rights Implications

92. Public authorities are required by law to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between people who share protected characteristics and those who do not; and
- Foster good relations between people who share protected characteristics and those who do not.

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

effect of any service change, policy or practice on people who have a protected characteristic.

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

Crime and Disorder Implications

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

Environmental Implications

96. The MTFS will include schemes to support the Council's response to climate change and to make environmental improvements.

Partnership Working and Associated Issues

97. As part of the efficiency programme and improvements to services, working with partners and service users will be considered along with any impact issues, and they will be consulted on any proposals which affect them.

Risk Assessments

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

Background Papers

Report to the County Council on 17th February 2021: Medium Term Financial Strategy 2021/22-2024/25 - https://politics.leics.gov.uk/documents/s159779/Revised%20Cabinet%20Report%20MTFS%202021-25.pdf

County Council Strategic Plan – https://www.leicestershire.gov.uk/about-the-council/council-plans/the-strategic-plan

Report to the Cabinet on 14th December 2021: Medium Term Financial Strategy 2022/23 – 2025/26 – Proposals for Consultation – https://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6449&Ver=4

Appendices

Appendix A: Four Year Revenue Budget 2022/23 to 2025/26
Appendix B: Corporate and Central Items Revenue Budget 2022/23
Appendix C: Earmarked Funds Balances
Appendix D: Earmarked Funds Policy

Appendix E: Capital Strategy
Appendix F: Draft Capital Programme 2022/23 to 2025/26
Appendix G: Corporate Asset Investment Fund Strategy 2022/23 to 2025/26

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APPENDIX A

2022/23 - 2025/26 REVENUE BUDGET *

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

* provisional for 2023/24 and later years

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

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APPENDIX B

CORPORATE & CENTRAL ITEMS

REVENUE BUDGET 2022/23

Net Budget 2021/22 £		Employees £	Running Expenses £	Internal Income £	Gross Budget £	External Income £	Net Budget 2022/23 £
	CORPORATE						
-2,285,000	**DSG (Central Dept recharges)**	0	0	0	0	-2,285,000	-2,285,000
8,000,000	**MTFS RISKS CONTINGENCY**	0	8,000,000	0	8,000,000	0	8,000,000
28,300,000	**COVID-19 BUDGET**	0	0	0	0	0	0
4,548,000	**CONTINGENCY FOR INFLATION/ LIVING WAGE ***	12,400,000	16,380,000	0	28,780,000	0	28,780,000
38,563,000	**TOTAL CORPORATE BUDGETS**	**12,400,000**	**24,380,000**	**0**	**36,780,000**	**-2,285,000**	**34,495,000**
	CENTRAL ITEMS						
19,000,000	**FINANCING OF CAPITAL**	0	22,371,000	-54,000	22,317,000	-2,817,000	19,500,000
2,500,000	**REVENUE FUNDING OF CAPITAL**	0	2,500,000	0	2,500,000	0	2,500,000
	CENTRAL EXPENDITURE						
1,500,000	Pensions (pre LGR /LGR)	0	1,400,000	0	1,400,000	0	1,400,000
1,229,000	Members Expenses & Support etc	90,800	1,138,200	0	1,229,000	0	1,229,000
311,000	Flood Defence Levies	0	311,000	0	311,000	0	311,000
200,000	Elections	0	200,000	0	200,000	0	200,000
-691,000	Financial Arrangements	0	235,000	-221,000	14,000	-855,000	-841,000
500,000	LCTS	0	0	0	0	0	0
3,049,000		90,800	3,284,200	-221,000	3,154,000	-855,000	2,299,000
	CENTRAL INCOME						
-1,300,000	Bank & Other Interest	0	0	0	0	-1,400,000	-1,400,000
-1,300,000		0	0	0	0	-1,400,000	-1,400,000
23,249,000	**TOTAL CENTRAL ITEMS**	**90,800**	**28,155,200**	**-275,000**	**27,971,000**	**-5,072,000**	**22,899,000**

* 2021/22 contingency net of transfers to Departmental budgets

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APPENDIX C

EARMARKED FUND BALANCES

	Revised Balance 01/04/21 £000	Forecast Balance 31/03/22 £000	Forecast Balance 31/03/23 £000	Forecast Balance 31/03/24 £000	Forecast Balance 31/03/25 £000	Forecast Balance 31/03/26 £000
Renewal of Systems, Equipment and Vehicles	3,710	2,960	1,790	1,420	1,100	840
Trading Accounts						
Corporate Asset Investment Fund	1,200	1,200	1,200	1,200	1,200	1,200
Insurance						
General	8,200	7,660	7,120	6,580	6,030	5,490
Schools schemes and risk management	370	370	370	370	370	370
Uninsured loss fund	5,250	5,250	5,250	5,250	5,250	5,250
Committed Balances						
Community Grants	250	250	250	250	250	250
Other						
Children & Family Services						
Supporting Leicestershire Families	1,840	370	0	0	0	0
C&FS Developments	750	750	250	150	50	0
Youth Offending	580	420	260	100	0	0
Other	800	430	60	0	0	0
Adults & Communities						
A&C Developments	2,920	1,360	260	260	260	260
Adult Learning Service	290	290	290	290	290	290
Public Health	1,810	1,810	1,360	880	550	550
Environment & Transport						
E&T Developments	250	250	250	250	250	250
Commuted Sums	3,150	2,850	2,350	1,850	1,350	850
LLITM	2,080	1,720	640	350	510	680
Major Projects - advanced design	490	480	60	50	40	30
Waste Developments	350	350	330	100	50	0
Section 38 Income	490	440	0	0	0	0
Other	520	360	200	200	170	170
Chief Executive						
Economic Development-General	340	180	120	60	0	0
Chief Executive Dept Developments	790	380	230	120	90	50
Other	180	150	20	0	0	0
Corporate Resources						
Leicestershire Schools Music Service	190	150	110	60	30	0
Other	580	230	150	80	10	10
Corporate:						
Transformation Fund	9,200	4,190	760	0	0	0
Broadband	1,960	1,610	810	810	810	10
Business Rates Retention	8,070	570	570	570	570	570
Inquiry and other costs	600	590	590	590	590	590
Elections	780	180	380	580	780	180
Other	450	390	390	390	390	390
Budget Equalisation	24,030	40,930	49,980	49,820	53,900	62,800
Covid-19 : council tax etc	0	4,000	3,000	2,000	1,000	0
Covid-19: Tax Income Guarantee compensation	2,280	0	0	0	0	0
Carbon Neutral Investment Fund	0	2,000	1,500	1,000	500	0
Capital Financing (phasing of capital expenditure)	101,770	97,290	59,790	35,270	22,270	1,270
Pooled Property Fund investment *	-23,630	-23,630	-23,630	-23,630	-23,630	-23,630
TOTAL	**162,890**	**158,780**	**117,060**	**87,270**	**75,030**	**58,720**
Schools and Partnerships						
Dedicated Schools Grant	-11,100	-19,810	-26,940	-39,300	-52,860	-62,790
Leicestershire & Rutland Sport	1,370	1,260	980	540	20	0
Health & Social Care Outcomes	9,920	6,920	6,920	6,920	6,920	6,920
Emergency Management	610	610	610	610	610	610
East Midlands Shared Services - other	60	60	60	60	60	60
Leicestershire Safeguarding Children Board	100	100	80	60	40	20
Leics Social Care Development Group	30	20	0	0	0	0
Total	990	-10,840	-18,290	-31,110	-45,210	-55,180

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

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APPENDIX D

EARMARKED FUNDS POLICY 2022/23

General Fund

The level of the General Fund would ordinarily reflect the overall financial environment and the key financial risks faced by the County Council. The amount held will be reviewed at least annually. Any funds in excess of the assessed amount will in the first instance be used to fund one off expenditure (capital and revenue including invest to save and pump priming initiatives) and secondly to support recurring revenue expenditure over the medium term, subject to the key consideration of sustainability.

Holding non earmarked funds is essential in enabling the County Council to manage unforeseen financial events without the need to make immediate offsetting savings. This allows better decisions to be made and reduce the impact this could have on users of County Council services.

Based on an assessment of risk, the target level for the General Fund is within the range of 4% to 7% of net expenditure (excluding schools). The forecast balance of £22m (4.5%), by the end of the MTFS is within that range but towards the bottom reflecting the tighter financial pressures of the Council.

In reviewing the level of the General Fund the Cabinet will take advice from the Director of Corporate Resources.

Earmarked Funds

Earmarked funds are traditionally held for six main reasons. The key factors that determine their level are set out below:

- Insurance fund – to meet the estimated cost of future claims not covered by insurance policies.
- Renewals – to enable services to plan an effective programme of systems, equipment and vehicle replacement. These earmarked funds are a mechanism to allow a sensible replacement programme, that can vary in size depending upon need, without the requirement to vary annual budgets.
- Trading accounts and wholly grant funded services - in some instance surpluses in excess of the budgeted level are retained by the service for future investment.
- Other earmarked funds will be set up from time to time to meet predicted liabilities or unforeseen issues that arise.
- To support transformational and departmental change.
- Meet commitments made that will be incurred in the future. Examples include; completion of projects, County Council contributions to partnership funding, commitments in the MTFS such as the Capital Programme.

Reserves are not suitable for on-going service commitments.

Given the increased financial pressures, additional measures need to be put in place. These measures are set out below.

- Departments to identify specific and known planned expenditure to be funded from reserves. These will be held centrally as earmarked funds.
- After allowing for this, general departmental reserves above a minimum allowance allowing departments to manage day to day, smaller essential interventions etc, will be centralised.
    - A&C £250,000
    - CFS £250,000
    - E&T £250,000
    - CR £100,000
    - CE £50,000
    - PH £50,000

- The above limits will be reviewed annually as part of the new MTFS.
- All reserves above this amount to be brought into the general fund
- Trading surpluses will be brought back into central control – services impacted can request funding to support specific investments along with other services.
- All reserves set aside for asset renewals will be managed centrally based on consideration of regular departmental submissions
- Schools and partnership reserves will be unaffected by these changes. However, there must be a clear plan of purpose for each reserve.

The Director of Corporate Resources has the authority to take decisions relating to the creation and management of earmarked funds.

Schools Earmarked Funds

Schools balances are held for two main reasons. Firstly, as a contingency against financial risks and secondly, to save to meet planned commitments in future years. Decisions on these funds are taken by individual schools.

Monitoring Policy

The level of earmarked funds and balances are monitored regularly throughout the year. Reports will be taken to members as part of the MTFS, an update in the autumn and at year end.

Grant Thornton UK LLP, the County Council's external auditor, has reviewed the level of earmarked funds held by the County Council in respect of financial sustainability as part of its value for money review of the current MTFS and reported no issues. In their latest audit Grant Thornton commented that "Leicestershire County Council has a good track record of sound financial management. The Council understands the financial risks which it faces and managed these risks by maintaining an appropriate level of reserves and sound financial management".

APPENDIX E

CAPITAL STRATEGY 2022-2026

Introduction

This strategy sets out the County Council's approach to compiling the capital programme, its priorities, availability of funding and financial management.

The County Council's capital programme is derived primarily from the Strategic Plan. It aligns with departmental commissioning and service plans to ensure a prioritised, joined up use of resources to maximise outcomes for all Leicestershire service users, citizens and other stakeholders.

This strategy links to the Medium Term Financial Strategy, the Corporate Asset Investment Fund (CAIF) Strategy and the Treasury Management Strategy. The CAIF Strategy sets out the Council's approach to non Treasury Management investments made primarily for the purpose of generating an income and supporting economic development. The level of funding available for the CAIF is determined by the Capital Strategy.

The overall approach to developing the capital programme is based upon the following key principles;

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

Funding Sources

The approach to funding is:

External Funding
- Central Government Grants – passport grants to the relevant departments, even when not ring fenced.
- External Grants - maximise bids for funding from external sources including providing matched funding where appropriate to do so, subject to approval of fulfilment conditions and any contingent liabilities.
- External Contributions – maximise section 106 developer claims/ contributions to cover the full capital costs.

Discretionary Programme
- Capital Receipts – maximise individual receipts and use to fund the discretionary capital programme.
- Earmarked Capital Receipts – only to be used in situations where this is an unavoidable requirement of an external party, for example, there is a requirement to

APPENDIX E

gain DfE approval for the disposal of education assets, with the related receipts to be earmarked to education assets. These will be reviewed on a case by case basis to ensure the requirement is met and to consider options for substitution of discretionary funding where appropriate.

- Revenue underspends and surplus earmarked funds – review opportunities as they arise to contribute to the discretionary capital programme.
- Prudential borrowing – only to be used after all other available funding and only then where the incremental costs are fully funded from savings from the new investment. Internal borrowing (from County Council cash balances) would be prioritised over external borrowing.
- Leasing – Due to the County Council's ability to access relatively inexpensive funding rental/ lease proposals need to be appraised to ensure additional benefits justify the financing cost.

Other

- Renewal Earmarked Funds – held to make an annual contribution reflecting the life and replacement cost of the asset. Use when the service is externally funded (commercial, partnerships, specific grants) or small scale asset owned by an individual service. Larger more significant assets will be funded through the discretionary capital programme.
- Building Maintenance – funded through the Central Maintenance (revenue) Fund (CMF). Significant lifecycle replacements to be funded through the discretionary capital programme.
- Tax Incremental Financing (TIF) – investment repaid from additional income generated, for example additional Business Rates.

Capital Requirements

Children's and Family Services

Demand	£	Funding
Meet demand for new school places. Meet increasing demand for SEN places Children's Accommodation Strategy	High High High	Central Government grants Developer contributions (section 106) Discretionary programme and grants
Maintenance and renewal for: Maintained school estate Children's Centres	 High Low	 Central Government grants Discretionary Programme
Children's social care (minimal demand as commissioned service)	Low	Spend to save

Adults and Communities

Demand	£	Funding
Adult Accommodation Strategy	High	Discretionary programme
Disabled Facilities Grant	Mid	Central Government grants
Maintenance and renewal for: Libraries & Heritage Community Libraries	 Low Low	 Discretionary programme Support external funding bids
Adult Social Care (minimal demand from commissioned service)	Low	Spend to save

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Public Health

Demand	£	Funding
Public Health (minimal demand from commissioned service)	Low	Spend to save

Environment and Transport

Demand	£	Funding
Maintenance of the highway infrastructure (using asset management principles) New Waste Transfer Station Highways Depot Replacement	High High High	Central Government grants/ Discretionary programme Discretionary programme Discretionary programme
Improvement to the highway infrastructure Major schemes Minor Schemes Advanced Design	 Mid Mid Mid	External Funding Central Gov't grants (inc. LLEP, TIF) Central Government grants Discretionary programme
County Council vehicle replacement programme	Mid	Discretionary programme
Maintenance and renewal of waste management infrastructure	Mid	Discretionary programme

Chief Executives

Demand	£	Funding
Programme of small shire community grants	Low	Discretionary programme
Other Services	Low	Spend to save, Discretionary programme

Corporate Resources

Demand	£	Funding
ICT Infrastructure Renew and expand the current corporate estate Major ICT upgrades and replacements	 Mid	 Discretionary programme Discretionary programme + Spend to save
Property Estate* Regulatory compliance Expansion and replacement	Mid	 Discretionary programme Spend to save
Climate Change Environmental Improvements	 Mid	 Spend to save
Transformation/change	Low	Spend to save

* maintenance of current properties funded from central maintenance fund (revenue budget)

Corporate Programme

Demand	£	Funding
Corporate Asset Investment Fund	High	Spend to save
Major Schemes Portfolio Risk	Med	Discretionary programme

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Future Developments Programme

Demand	£	Funding
Including: New Area Special School Children's Social Care Additional School and Highways Infrastructure (from housing growth) Adult Accommodation Strategy Heritage and Learning Collections Hub New Recycling and Household Waste Site Economic Development, e.g. Broadband Major ICT system replacements Country Parks Strategy Climate Change Strategy Sustainability / Invest to Save Schemes	High	Discretionary Funding One off revenue and earmarked fund contributions Reinvest returns Spend to save

External Funding

To ensure that funding is at the required level the following approach will be taken.

Children and Family Services
Maximise DfE capital grant through up to date capacity assessments and school place data. Submit bids, where appropriate to do so, for additional DfE capital funding when available. Take opportunities to lobby the DfE for additional funding.

Adults and Communities
Work with District Councils and other partners to ensure that the Disabled Facilities Grant is at an appropriate level and how it is spent to reduce the costs of adult social care. Take opportunities to lobby the Department of Health for Social Care infrastructure grants.

Environment and Transport
Maintain Highways Infrastructure Asset Management Planning Level 3. Invest in advance design and business case development work focused on government priorities to access capital grants (which are increasingly being channelled through bidding processes) and developer funding.

Section 106 Contributions / Forward Funding
Maximise section 106 contributions through recovery of the total costs of required developments and regular review of key assumptions used (at least annually).
Where funding of capital expenditure is required in advance of the receipt of section 106 income (usually paid on completion of trigger points) projects may require initial cash flow by the County Council or from rescheduling grant expenditure.

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

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

- Opportunities to secure external funding are maximised, through successful bids.
- The final cost of infrastructure investment is reduced (compared with what it would be if construction was delivered incrementally as and when smaller developments come forward).
- The design is optimised, to benefit of the local community.

There are risks involved in managing and financing a programme of this size. There is reduced scope for funding additional schemes that are identified in the future. And an increased reliance on developer contributions through section 106 agreements means that it may take many years for investment to be repaid. This could be further compounded in the event of an economic slowdown. To this end, support of district councils is essential to ensure the agreements reached with developers mitigate these risks.

Tax Incremental Financing
The County Council will work with District Councils on construction schemes that unlock infrastructure and housing growth and seek agreements to fund the work from linked Council Tax, Business Rates growth and additional New Homes Bonus Scheme grant.

Summary
The 4 year capital programme 2022-26 totals £514m. External funding from capital grants, section 106 agreements and third party contributions totals £237m. Without this funding being available schemes of any significant size would not be affordable by the County Council.

Discretionary Funding

The discretionary capital programme totals £278m for the period 2022-26. Funding is from the sale of County Council capital assets (capital receipts), MTFS revenue contributions and surplus earmarked funds. Discretionary funding also includes prudential borrowing, which is unsupported by central government with the costs of financing the borrowing undertaken falling on the County Council's revenue budget. A total of £161m of prudential borrowing is included in the 2022-26 capital programme.

Capital receipts
Property Services are responsible for identifying additional capital receipts and maximising the sale value of surplus assets. Property Services will seek opportunities to maximise the value of surplus land, for instance by obtaining planning permission. The targets for new capital receipts to fund the capital programme, are:

	General £m	Earmarked £m	Total £m
2022/23	6.0	2.7	8.7
2023/24	6.9	-	6.9
2024/25	6.6	-	6.6

2025/26	2.0	-	2.0
Total	21.5	2.7	24.2

The estimates are higher in the earlier years reflecting the increased confidence in the sale of those assets.

Revenue Funding
The capital programme includes a total of £93m in revenue funding of capital.

On-going revenue - £7m (£2.5m in 22/23, then £1.5m from 2023/24 allocated in the MTFS.
One-off revenue - £86m is allocated in the MTFS/ earmarked funds. These have arisen from past:

- Opportunities from underspends – cannot be relied upon going forward.
- MTFS risk contingency
- Surplus earmarked funds no longer required

Other
For invest to save schemes, a discount rate of 6% will be used, including inflation, (3.5% for energy projects) as part of the net present value assessment in the business case. Only projects that show a positive return using these rates will be considered for inclusion in the capital programme.

Funding from Internal Balances
A total of £143m in funding required is included within the capital programme to fund the programme and enable investment in schools and highway infrastructure to be made. Over the next 10 to 15 years it is anticipated that circa £39m of this funding will be repaid through the associated section 106 developer contributions.

Due to the strength of the County Council's balance sheet, it is possible to use internal balances (cash balances) to fund the capital programme on a temporary basis instead of raising new loans. Levels of cash balances held by the Council, currently £357m, comprise the amounts held for earmarked funds, provisions, Minimum Revenue Provision (MRP) set aside for the repayment of debt, and working capital of the Council. The cost of raising of external loans currently exceeds the cost of interest lost on cash balances by circa 1.5%.

The overall cost of using internal balances to fund £143m of investment is estimated to be £5.7m per annum by 2026, comprising MRP of £3.5m and reduced interest from investments of £2.2m. This is a prudent assessment as the impact will reduce in future years as the funding is repaid.

The County Council's current level of external debt is £263m. As described above this is not anticipated to increase during the MTFS.

Affordability

The impact of the discretionary programme on the revenue budget, and forecast at the end of the MTFS is:

£m	2019/20	2020/21	2021/22	2025/26
Revenue	0.7	1.5	2.5	1.5
MRP	10.0	6.0	6.2	8.8
Interest*	12.6	12.7	12.8	15.0
On-going revenue total	**23.3**	**20.2**	**21.5**	**25.3**
% Revenue budget	6.2%	5.2%	4.9%	5.1%
Voluntary MRP	0.0	0.0	0.0	0.0
One-off revenue	47.8	30.4	27.5	0.6
One-off revenue	**47.8**	**30.4**	**27.5**	**0.6**
Total	**71.1**	**43.9**	**43.9**	**27.4**
% Revenue budget	18.8%	11.3%	11.3%	6.1%

*includes reduction in income received from transferred debt, plus interest cost of internal borrowing.

To ensure the discretionary programme remains affordable the following approach is taken to manage the MRP and interest charges:

- No new external borrowing to finance capital expenditure unless a scenario arises where external borrowing is more favourable than using internal borrowing. The balance between internal and external borrowing will be managed proactively, with the intention of minimising long-term financing costs.
- Temporarily use internal balances from the overall council cash balances in advance of their designated use.
- Review opportunities to repay debt.
- Re-profiled MRP in 2020/21 to be commensurate with the average age of assets funded from borrowing and delay the impact on the revenue budget. It should be noted that this does not reduce the amount to be set aside but delays the period over which it is to be paid.

<u>Capital Financing Requirement</u>

The CFR is the measure of the Council's historic need to borrow for capital purposes. As at 31st March 2022 the CFR is forecast to be £226m compared with actual debt of £263m. The difference is a temporary 'over-borrowed' position pending future scheduled debt repayments and new prudential borrowing requirements. The forecast annual cost of borrowing in 2022/23 is £19.5m rising to £22.5m by 2025/26. The financing costs (external interest and MRP) are met from the revenue budget.

The planned use of internal cash balances to fund the four year capital programme will add £143m to the CFR. Together with reductions made by MRP, the CFR is forecast to be £340m by the end of the MTFS (31 March 2026). Assuming no new borrowing is undertaken in this period, actual debt would by £256m at that time, resulting in an under-borrowed position of £84m. This can be managed as interest charges for new debt is forecast to continue to be higher than the interest that can be earned on cash balances.

The detailed approach to this is covered in the Treasury Management Strategy, approved by the County Council annually in February.

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Financial Management of the Capital Programme

Prioritising the Programme

The approach to compiling the capital programme is through a combination of service requirements developed by each relevant department, statutory requirements and asset management planning.

For land and building assets, Strategic Property, in conjunction with service areas, develops all the estate strategies, asset management plans and property elements of the corporate capital and revenue programmes. They seek to ensure that the County Council is making full use of all assets, and any under-performing or surplus assets are identified and dealt with by either their disposal or investment to improve their usage. Outcomes from condition survey information together with on-going reviews of the property portfolio feed into the capital programme and revenue budget. The Corporate Asset Management Plan, which promotes the rationalisation of property assets, reducing running costs and cost effective procurement of property and property services is reported annually to the Cabinet.

The County Council operates the Corporate Asset Investment Fund (CAIF) which invests in assets to achieve both economic development and investment returns. A copy of the CAIF strategy is attached to the MTFS report. The CAIF operates through the Corporate Asset Investment Fund Strategy with a view to:

- Generate an income stream which increases the Council's financial resilience given the decrease in government funding
- Supports the delivery of front line services through increased income generation, or through capital investments that will reduce operating costs.
- Supports the Council's strategic objective of affordable and quality homes through helping to unlock and accelerate developments
- Manage investment risk by investing in diverse sectors
- Meet the objectives of the Council's Corporate Asset Management Plan, Strategic Plan, its Economic Growth Plan and the County-wide Local Industrial Strategy
- Maximise returns on Council owned property assets

Current holdings plus schemes in the 2021/22 capital programme will result in a total holding of £189m. A fund of £71m has been included the draft 2022-26 MTFS to bring the overall CAIF fund to the notional target of achieving a holding of £260m. Appraisal includes external due diligence performed before each purchase.

The corporate programme also includes additional funding of £60m for the Future Developments fund. The Fund is held to contribute towards schemes that have been identified but are not sufficiently detailed for inclusion in the capital programme at this time. There is a long list of projects that may require funding over the next 4 years. These include investment in infrastructure for schools and roads arising from increases in population, investment in health and social care service user accommodation, highways match funding of capital bids, and investment in the efficiency and productivity programme. The list of future developments is continually refreshed. Bids against the fund will be managed through prioritisation and where possible the identification of alternative funding sources. This approach forms part of the wider strategy to ensure that the capital programme is deliverable, affordable and the risks are understood, in line with CIPFA's requirements.

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For highways and associated infrastructure needs, the Council's key transport policy document is the Local Transport Plan. This provides the long term strategy within which the Council manages and maintains its network. In light of the continuing financial challenge the Council's priority is only to add to the highway network where this will help to enable new housing and jobs. Furthermore, additions will normally be considered only in circumstances where specific external funding can be secured to achieve this.

Further improvements to the highway network will require continued pursuit of external resources such as Government grants and developer funding. Government grants include bids to funds including Growth Fund (through the LLEP), the Growth and Housing Fund, the National Productivity Investment Fund, Local Authorities Majors Fund and the Housing Investment Fund. In order to maximise the impact of funding that can be secured for improvements, the County Council is doing more to define the roles of the various elements of the road network so that it is able to target investment where it will be of most benefit, particularly in terms of supporting economic prosperity and growth.

Bids for funding from the discretionary programme require the completion of a capital appraisal form for each project. The forms collate detailed information on the proposed project including justification against strategic outcomes, service objectives, statutory requirements and/or asset management planning, timelines, detailed costings including revenue consequences of the capital investment, and risks to delivery. All bids for land and building projects are also supplemented by a Strategic Property scoping and assessment form. Bids are then prioritised and assessed against the discretionary funding available. The revenue costs and savings associated with approved capital projects are included in the revenue budget.

Where schemes have not yet been fully developed these are included as future developments in the capital programme. As schemes are developed they are assessed against the available resources and included in the capital programme as appropriate.

Financial Management of Delivery

The key risks to the delivery of the capital programme are overspending against the approved budget, delays in the delivery of projects/programmes thereby delaying the expected benefits, and delays in or non-receipt of external contributions towards the cost of the scheme.

To ensure that capital spending and the delivery of this strategy is effectively managed:

- Programmes being reviewed in light of the most up to date information around funding available and latest priorities.
- All schemes within the programme being monitored regularly, usually monthly.
- Financial progress being reported on a regular basis throughout the year and at year end to the Cabinet and Scrutiny Commission to update them on progress and any significant variations in costs.
- Projects part or wholly funded by external contributions being separately monitored to ensure compliance with any funding conditions applicable.
- All projects are assigned a project manager appropriate to the scale of the scheme.
- The procurement of projects within the capital programme following the Council's approved contract procedure rules and where applicable the Public Contract's Regulations 2015.

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APPENDIX F

CHILDREN & FAMILY SERVICES - CAPITAL PROGRAMME 2022-26

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

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

ADULTS & COMMUNITIES - CAPITAL PROGRAMME 2022-26

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

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

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2022-26

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

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

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

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2022-26

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

		Future Developments - subject to further detail and approved business cases					
		Rural Broadband Scheme					

CORPORATE RESOURCES - CAPITAL PROGRAMME 2022-26

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

CORPORATE RESOURCES - CAPITAL PROGRAMME 2022-26 (Continued)

		Future Developments - subject to further detail and approved business cases Major System Replacements, IAS, Mosaic, Capita One, STADS, PAMS, s106 system ICT infrastructure - including network, access, storage and telephony equipment. Country Parks - including Café's, play facilities, and car parking improvements Climate Change - including energy and water strategy and green energy generation					

CORPORATE - CAPITAL PROGRAMME 2022-26

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

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

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Corporate Asset Investment Fund

STRATEGY 2022/2026

Leicestershire County Council

Building Business.**Boosting** Communities.

FOREWORD

Lee Breckon
Lead Member for Resources
Leicestershire County Council
and Chair of the Corporate Asset Investment Fund Advisory Board

The Council has a long and strong track record in owning and managing a diverse portfolio of property and other investment assets. In recent years, the Council has taken a more proactive commercial approach to investment expanding the portfolio, thereby boosting the local economy and generating vital income for front line council services.

This strategy helps ensure there is a strong and resilient foundation to the Council's property holdings and that council taxpayers' money is invested safely and wisely to ensure the services can continue to be supported against the background of tight financial settlements from central government.

Chris Tambini,
Director of Corporate Resources

The Corporate Asset Investment Fund is an important source of funding for the Council.

As central government support is reducing, it is important for the Council to ensure its long-term financial viability and stability. One important way this is achieved is by becoming more commercial and looking for new and innovative ways to safeguard the Council's services that people of Leicestershire rely on.

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Updated January 2022

INTRODUCTION

1.1 Leicestershire County Council (the Council) owns and manages property and other investments, some of which are held for the purposes of generating income to support front line services. These types of investments are held in and funded through the Corporate Asset Investment Fund (the Fund) which the Council established in 2014.

1.2 Such investments have a significant and growing value that represent a means by which the Council can continue to provide high quality services to the people of Leicestershire despite the ongoing pressure on public finances. Since 2014, income generated by the Fund has reduced the amount of savings required to be made, and the impact on service provision to residents and businesses in the County which might otherwise have been adversely affected.

1.3 The Corporate Asset Investment Fund Strategy for 2022 to 2026 is aimed at supporting the growth of the Fund to further improve the Council's financial resilience as government grants continue to fall, and demand on services and operating costs continue to rise. It outlines how the Council will look to make investments during this period utilising the Fund and how it will manage these to help achieve the strategic priorities of the Council.

1.4 Whilst a key priority is to continue to increase the income/revenue for the Council from its investments, the Strategy sets out processes to ensure this is done in a transparent and safe and secure way, ensuring adequate liquidity should the Council ever need to call upon the capital invested, that risks are properly identified and managed and that performance is monitored continuously.

1.5 The Strategy for 2022-26 includes reference to indirect and non-property investments. These forms of investments have gained greater prominence within the Fund which now includes investments in Pooled Property Funds and private debt.

1.6 The Strategy is an integral part of the Council's Medium-Term Financial Strategy (MTFS) and intrinsically linked with the Corporate Asset Management Plan (CAMP) and the Treasury Management Strategy and Annual Investment Strategy and it should be read in conjunction with these documents.

1.7 The Council is committed to ensuring the Fund owns effective and efficient assets which enhance the environment and biodiversity in the county where possible and improves the lives of communities in the county whilst maximising opportunities to generate secure, long term, income streams such that the Fund is able to assist the Council deliver its front line services.

STRATEGIC OBJECTIVES

2.1 The aims of this Strategy have been aligned with the five Strategic Outcomes set out in the Council's Strategic Plan (below) which will play a key role, alongside the Medium-Term Financial Strategy, in shaping the Council's investment activities over the next four years. The continued growth of the Fund during 2022 to 2026 will be at the heart of the Council's ability to deliver these objectives and other Council policies and programmes going forward.

Strong Economy - Leicestershire's economy is growing and resilient so that people and businesses can fulfil their potential.

Wellbeing and Opportunity - The people of Leicestershire have the opportunities and support they need to take control of their health and wellbeing.

Keeping People Safe - People in Leicestershire are safe and protected from harm.

Great Communities - Leicestershire communities are thriving and integrated places where people help and support each other and take pride in their local area

Affordable and Quality Homes - Leicestershire has a choice of quality homes that people can afford.

2.2 The specific aims of this Strategy are to ensure investments funded or held in the Fund:

- Support the objectives of the Council's MTFS.
- Generate an income stream which increases the Council's financial resilience given the decrease in government funding.
- Supports the delivery of front-line services through increased income generation, or through capital investments that will reduce operating costs.
- Supports the Council's strategic objective of affordable and quality homes through helping to unlock and accelerate developments.
- Manage investment risk by investing in diverse sectors.
- Meet the objectives of the Council's Corporate Asset Management Plan, Strategic Plan, its Economic Growth Plan and the County-wide Local Industrial Strategy.
- Maximise returns on Council owned property assets.

- Support growth in the county and its economic area of influence and ensure there is a more diverse range of properties and land assets available to meet the aims of economic development.
- Support the Council in maximizing the benefit from its financial assets in a risk aware way (not including standard treasury management activity)[1].

1 Treasury Management activity with banks, local authorities and the capital market are not in the scope of this Strategy, such activities being undertaken in accordance with the Treasury Management Strategy and Investment Strategy agreed annually by the County Council.

LEGAL CONTEXT

3.1 Section 12 of the Local Government Act 2003 (the 2003 Act) provides a general power to invest:

"(a) for any purpose relevant to its functions under any enactment or

(b) for the purposes of the prudent management of its financial affairs"

3.2 The power contained in Section 12 (a) cannot be used for investing purely to create a return as this is not considered to be a purpose relevant to the Council's functions whereas the power in Section 12 (b) may be used for investing to create a return as it may be prudent when used with other measures to manage the Council's financial affairs.

3.3 Section 120 of the Local Government Act 1972 (the 1972 Act) provides the power for the acquisition of land by agreement (whether inside or outside the authority's area) for the purpose of:

"Any of their functions under this or any other enactment, or the benefit, improvement or development of their area"

3.4 Acquisition can take place notwithstanding that the land is not immediately required for that purpose.

3.5 Further power is conferred upon an authority by the Localism Act 2011 (the 2011 Act). Section 1 of this Act introduced a new General Power of Competence which gave local authorities the power to do anything that individuals generally of full legal capacity may do. This Act is widely drawn and includes reference to commercial activities which do not necessarily have to benefit the local authority's area. However, this power is subject to a requirement that any actions being carried out for a "commercial purpose" must be done "through a company", (i.e. a company within the meaning of s.1 (1) Companies Act 2006).

3.6 The approach of the County Council to date has been to rely on the powers set out in the 2003 Act. At present, this has not required the setting up of a company for its property and non-property investment activities using the Fund. However, it is likely to be necessary in the future, if the Council wishes to expand and diversify the scope of its investments. Such arrangements are not detailed in this Strategy at this stage.

3.7 The Strategy should be read in conjunction with the Capital Strategy, Treasury Management Strategy and Annual Investment Strategy and taken together take into account the statutory guidance issued by the Secretary of State under the Local Government Act 2003.

INVESTMENT STRATEGY 2022 TO 2026

4.1 The Corporate Asset Investment Fund Strategy is a high-level summary of the Council's approach to investments made for the purposes of generating an income. It sets out the criteria and the processes and practices that will be considered and followed when carrying out such activities.

4.2 The Strategy developed for 2022 to 2026 has been aligned with the Council's MTFS timetable and reflects the aspiration of the current Capital Programme to invest in assets that will secure a long-term return. It is designed to provide a framework that is flexible enough for the Council to compete in the commercial market whilst ensuring governance processes are in place, full assessments are made, and risks are minimised.

Use of the Fund

4.3 The primary use of the Fund will be to:

4.3.1 develop new or existing assets to meet Council service needs where this will reduce operating costs or, for example, meet local housing needs, whilst at the same time securing a return for the Council;

4.3.2 continue to acquire both parcels of land for development and standalone income producing investments;

4.3.3 continue to make better use of underperforming investment assets already owned by the Council, to redevelop these where appropriate to ensure they meet the needs of local businesses, meet current market expectations and achieve a higher economic return;

4.3.4 maintain progress in the restructuring and rebalancing of the property portfolio (including the use of pooled property funds).

4.4 In addition, the Fund includes investment in Private Debt. Approval was granted by the Cabinet in December 2017 to invest up to £20m in private debt. Such investments are covered by the treasury management strategy agreed annually by the County Council. However, the funding, and overall monitoring of these investments are being picked up under the Corporate Asset Investment Fund to reflect the potential higher risk/ higher reward nature of the investment and also to provide diversification to the overall portfolio of the Fund.

4.5 The Fund will be reviewed, and performance of individual investments assessed on an annual basis. Where performance of an investment cannot be improved to an acceptable level, this will be disposed of. The sale proceeds from such disposals will either be reinvested or directed to other service needs.

Growth of the Fund

4.6 The overall value of the Fund as at 31st March 2021 was £187.4m from which an annual income of approximately £4.5m per annum was derived. The value of the fund is forecast to increase to £189m by 31st March 2022. In addition, there is also underlying growth (capital growth) being achieved on the value of the assets.

4.7 An overall target return for the fund is 7%, made up of a combination of capital growth and revenue income.

4.8 Decisions on how the investment programme is funded will be defined by the Council's Treasury Management strategy and considered as part of the MTFS.

4.9 The current holdings plus schemes in the 2021/22 capital programme will result in a total holding of £189m. A fund of £71m has been included in the draft 2022-26 MTFS to bring the overall CAIF fund to the notional target of achieving a holding of £260m. Appraisal includes external due diligence performed before each purchase.

4.10 The County Council has not and does not intend to borrow to fund the investments within the CAIF programme. The proposed investments in CAIF included with the MTFS 2022-26 are entirely funded from revenue reserves. Decisions on the availability and proportionality of funding to fund the Capital Programme, are made through the Capital Strategy (which includes funding for CAIF) are reviewed annually as part of the MTFS, and the Treasury Management Strategy Statement and Annual Investment Strategy. These documents take into account the statutory guidance issued by the Secretary of State under the Local Government Act 2003.

INVESTMENT CRITERIA

5.1 When investing the Council's financial resources action will be taken to ensure: -

- That principal sums invested are safeguarded as far as possible;
- That they provide adequate liquidity;
- That investment returns (or yield) are considered and balanced against potential risk factors.

5.2 Once liquidity (the ability to ensure (as far as is practicable) that should the Council wish to divest itself of an asset, it can do so without incurring any material loss) has been confirmed, the following criteria will be considered as appropriate when assessing a potential investment (including developments):

- Security of the principal capital to be invested (both for land acquisitions and development/construction proposals);
- Return on investment (revenue and capital growth);
- Sensitivity analysis (i.e. returns pre and post rent reviews, voids assumption, end of life repair/disposal etc.);
- Any legal issues (restrictive covenants etc.) regarding the title of the land/ property;
- Any potential liabilities (such as land contamination/asbestos);
- Sustainability (the energy performance of any existing property and its use);
- Full cost of the acquisition (land value, fees, end of life costs etc.);
- Fit with the current portfolio;
- Exit strategy.

In addition, any property investment opportunities will also be considered with particular regard to:

- **Actual income:** The income produced by the asset is the most important element of a potential acquisition. The income from an asset is governed by the lease length, rent review pattern, break options, vacancy rates and management costs.
- **Development potential income:** The total income assuming the site is fully developed (with cash flow timescales).
- **Tenant:** The financial standing and viability of any existing (or potential) tenants' covenants is to be considered.
- **Location:** More weighting is given to acquiring assets or land in an area that is viewed to be economically buoyant and has the ability of sustainable financial and economic growth, over the life time of the investment. There is a need, however, to be mindful of the ratio of investments within and without of the county.
- **Sector:** The strength of the investment or development sector should be considered in relation to its location, rather than in isolation. (e.g. a hotel in Leicester would be scored lower than a hotel in London).

- **Building:** The age and construction of any existing buildings should be taken into account in the decision-making process. This should include how energy efficient the building/s is/are. The potential for future structural repairs, retrofits and refurbishment expenses for both the Fund and the occupiers should be limited as much as possible. The Fund should not purchase a property let on a term which exceeds the economic life expectancy of the buildings.

5.3 Once an asset/investment opportunity has been identified, it should be considered as objectively as possible to ensure that the overall aims of the Fund are achieved in a coordinated and measured way.

5.4 The adequacy of the estimated financial return will be judged against the certainty of the return materialising, with riskier investments expected to demonstrate a potential for higher returns.

ENVIRONMENTAL, SOCIAL GOVERNANCE (ESG)

In 2018 the County Council adopted a new environment strategy ('Environment Strategy 2018 - 2030 – delivering a better future') which contains the following commitment:

"The UK Government's recent Clean Growth Strategy underlines the role that local government has in delivering and supporting our evolution to a low carbon society as we respond to these national and international commitments. The urgent need for concerted international action on climate change has been recognised by over 170 countries globally.

The Paris Agreement of 2015 requires countries to work together in limiting global temperature rise to below 1.5 to 2°C, the recognised level established by the Intergovernmental Panel on Climate Change to limit the risks and impacts of climate change. The interconnection between economic development, social equity and inclusion and environmental impacts has also been recognised internationally via the 2030 Agenda for Sustainable Development. In recognition of this the County Council has signed up to UK 100 which commits the Council to achieving 100% clean energy by 2050."

Furthermore, in May 2019, County Councillors unanimously backed a motion calling for more to be done by the authority to cut pollution and declared a climate emergency. Leicestershire County Council now has an aim for its own operations to be carbon neutral by 2030.

In light of this, the Fund will aim to ensure that its developments will be built in as sustainable a manner as possible with the aim of being net zero carbon in the construction phase and as energy efficient to occupy and operate as possible (including the use, where viable, of on-site renewable energy sources).

Furthermore, the developments will achieve net biodiversity gain and also push waste up the Waste Hierarchy by adopting a reduce, reuse, recycle approach to the management of waste particularly during the construction phase.

The wider public health agenda issues such as obesity, mental health, general health and wellbeing will also form part of the decision-making criteria as to what makes a good development design and layout. When deciding how and where to invest, the County Council is cognisant of the economic, social and environment considerations and will seek to ensure that any development it is involved with is a sustainable development. The County Council will ensure that the relevant environmental, social, and governance (ESG) standards are met when seeking to screen potential investments.

1. Environmental criteria will be used to consider how the County Council performs in its responsible use and protection of the natural environment through conservation and sustainable practices to enhance ecosystem resilience and human well-being.

2. Social criteria will examine how it manages relationships within the communities around the county where the County Council owns assets.

3. Governance criteria will ensure that the controls and processes for the Fund are appropriate and followed.

FINANCIAL RETURNS

Yield

6.1 The level of yield required balances security and liquidity. The term 'yield' can be defined as:

"The annual return on an investment, expressed as a percentage of the capital value"

6.2 For example, the annual rent received on a property investment is currently £50,000 per year gross. If the property has been valued at £1,000,000 then the revenue yield is 5%:

$$\textbf{Yield} = \frac{\textbf{Annual Rental Income}}{\textbf{Capital Value}} \times \textbf{100}$$

$$\textbf{5\% = (50,000/1,000,000) x 100}$$

6.3 However, in addition there is also the potential capital growth which reflects how the value of an asset changes over time. If, for example, the value of the £1,000,000 investment had risen to £1,025,000 by the end of the first year; this would give capital growth of 2.5% and a combined gross yield / return of 7.5%

6.4 The yield figure will reflect the various risks involved in the investment. By and large, the higher the level of uncertainty (e.g. a tenant with a poor credit rating) the higher the required yield would be.

6.5 The average/balanced target yield for investments made by the Fund is 7% nominal. There will be costs incurred in managing the Fund and also costs associated with abortive work (feasibility studies, consultant work/staff time unsuccessful acquisitions bids).

6.6 Individual lot sizes can each be considered on their merits as long as they conform to the agreed overall portfolio mix.

6.7 Assuming that investment/development property is the only asset class of investment that is being considered, the overall return of a standalone investment will vary depending on the market sector, the nature of the property asset acquired and the characteristics of the tenant in the acquired property.

6.8 Whilst aiming for a yield of 7%, the Fund will seek to invest in a balanced way over several market sectors and types of investment in order to balance risk with securing the best return on investment.

Internal Rate of Return

6.9 Whilst yield is a useful measure for assessing the merits of an investment, yield will change over the life of an investment. To give a longer-term perspective, the Internal Rate of Return (IRR) is a metric that is used to assess the strength of an investment. The IRR is the interest rate at which the net present value of all cash flows arising from an investment is equal to zero. In calculating an estimated IRR, a number of assumptions need to be made in terms of projecting future expenditure and income streams including the future capital value of the investment holding. As a guide a minimum IRR of 7% is a high-level assessment for whether an investment is worthwhile.

Other Balancing Factors

6.10 Other balancing factors to be reviewed regularly with respect to property investments (with the following approximate targets) are:

<table>
<tr><td rowspan="2">Location</td><td colspan="2">In County</td><td>Out of County</td><td rowspan="2">In terms of amount of fund invested.</td></tr>
<tr><td colspan="2">75%</td><td>25%</td></tr>
<tr><td rowspan="2">Asset type</td><td colspan="2">Development site</td><td>Standalone investment</td><td rowspan="2">In terms of amount of fund invested.</td></tr>
<tr><td colspan="2">75%</td><td>25%</td></tr>
<tr><td rowspan="2">Tenant Risk</td><td>Low</td><td>Medium</td><td>High Risk</td><td rowspan="2">Look for spread of risk (higher risk for small industrial units, lower risk for large office investments/ development)</td></tr>
<tr><td>25%</td><td>50%</td><td>25%</td></tr>
<tr><td rowspan="2">Lease length</td><td>Short
<5 years</td><td>Medium
5-10 years</td><td>Long
10 years +</td><td rowspan="2">Look for spread of leases lengths (shorter for small low value assets, longer for high value investments/ developments</td></tr>
<tr><td>25%</td><td>50%</td><td>25%</td></tr>
</table>

Independent Review

6.11 In December 2020 County Council instructed an independent review of the CAIF strategy and the sectors in which it invests. Whilst the review broadly agreed with the Strategy as previously written, some adjustments have been made to the in light of this advice. As can be seen in the Hymans report (Appendix B), the main thrust of the advice is aimed at the pooled investments.

6.12 The recommendations on page 16 advises whether to increase, maintain or reduce holdings in each asset class. The recommendations have been considered and for clarity, if the projects in the development pipeline are included, the recommendations are broadly achieved.

6.13 Offices – Hymans recommend a maintain / reduce weight however the estimated weight shows a growth in total weight to c22%. A large office building let to a high-quality tenant on a long lease has now completed and explains the increase.

6.14 Infrastructure – Hymans recommend a new allocation to infrastructure. The portfolio has a scheme in the pipeline that would contribute towards this target. In addition, the CAIF will engage with LGPS Central, "Central", (the part owned pension pooling company) who will be delivering infrastructure pooling investment products. The County Council should take a view to leveraging our access to the knowledge and expertise at Central to the benefit of the CAIF. The Pension Fund has a number of long-standing open-ended infrastructure investments which may also be considered when deciding on a relevant weight within this category.

6.15 Property core – Hymans recommend a reduction. The weight will naturally reduce as the CAIF invests up to the £260m target. In addition, the CAIF holds a closed ended pooled property funds that have a finite life and as such they will eventually return capital to the fund and reduce the weight. The remaining pooled property funds could also be divested at a time where the valuations and / or investment profiles are in the funds favour.

6.16 Private Debt – Hymans recommend a maintain or increase weighting. The fund has invested in a product that will begin to return capital over the coming years and as such a relevant replacement will need to be sourced. Central are in the process of designing a private debt investment product for the eight Local Authorities who are part owners and have an interest in the private debt asset class. The CAIF could leverage the knowledge and experience available. A product from Central is being developed in 2021.

6.17 Residential Property – Hymans recommend initiating a new allocation to this class. Again, Central may include residential exposure within their indirect pooled property offering that is yet to be designed. The Pension Fund is also interested in a similar offering and as such it would make sense to understand the overlap and if one product can service both the CAIF and pension fund.

6.18 Underpinning the use of Central funding will be subject to potential legal approval surrounding non pension fund assets investing into funds managed by Central.

6.19 One recommendation is to invest in income producing residential properties. As per Central Government guidance, any local housing authority that owns 200 or more social dwellings are required to account for them within their Housing Revenue Account. A 'Local housing authority' means a district council, a London borough council, the Common Council of the City of London, a metropolitan borough council, a unitary council, or the Council of the Isles of Scilly. County councils, where they are part of a two-tier system (such as Leicestershire County Council), parish councils and town councils are not local housing authorities. Therefore, a trading company would need to be incorporated for the County Council to own such residential assets for income producing means.

6.20 The County Council owns a large County Farms Estate as part of the Fund and, where appropriate, brings land forward for development. In the past, when this development has been residential in nature, the County Council has sold the land with the benefit of planning permission to the private sector to develop. In order to assist in bringing forward the housing numbers the county needs; the County Council is becoming more involved in the planning *and delivery* stages. By being part of the whole development process, not only will the County Council help set the pace of new homes delivery (where it is able) but the financial returns will be enhanced.

INVESTMENT ASSESSMENTS

7.1 This Strategy places emphasis on openness, transparency and consistency. It aims to ensure maximum benefit from the effective purchase and subsequent management of the Council's assets, but within a framework which can be adaptable to market conditions. Within this framework, the Council must act within the appropriate legal framework, in a demonstrably fair and open manner, and consider whole life costs.

Direct Property Investments

7.2 Each proposed direct property investment proposal (including both proposals to acquire and/or develop property) will be subject to a three-stage appraisal process as detailed below, although given the need to respond quickly to opportunities as they become available, a degree of flexibility is required and some of these stages may be combined.

STAGE 1 - Initial Assessment

7.3 The first phase of determining whether a direct property investment opportunity is worth proceeding with consists of a number of separate assessments:

1. Strategic Fit
2. Risk Profile
3. Yield Profile
4. Tenancy Terms
5. Planning Overview
6. Site Inspection
7. Potential capital Growth
8. Valuation

7.4 Strategic Property Services will first prepare an Initial Appraisal Report (IAR) which is intended to answer the basic question – 'is the asset worth acquiring?'.

7.5 The IAR considers the likelihood of the proposed investment achieving the return required, the size and barriers to entry of the market, plus its suitability to the Council's own ethical standards, the quantum of risk and complexity, the payback period and how much the Council knows about the proposal (i.e. are there just too many unknowns?). Initial basic property details are also recorded at this time.

7.6 The answers to these key points will give a simple yet effective picture of the proposal and will allow an early decision to be made by the Director of Corporate Resources as to whether an investment is worth pursuing.

7.7 The process is run by the Strategic Property Services team and the decisions summarised in a regular report to the Director of Corporate Resources.

7.8 A challenge can be raised through the Strategic Property Services team, ultimately to the Director of Corporate Resources, but there must be no multiple consideration of the same proposal during the initial process. Once it has been deemed a fail, unless there is a fundamental error in the data provided or a paradigm shift on the proposal itself then the activity must cease.

STAGE 2 - Financial Appraisal and Business Case

7.9 Once the asset/site has passed the initial evaluation, a financial appraisal and business case will be prepared to establish the financial/budgetary implications of acquiring the property at the negotiated price.

7.10 An independent property advisory firm will also be consulted on the opportunity and their report made known to the Board if the proposal is progressed beyond stage two.

7.11 The aim of the financial appraisal and business case is to assess how the acquisition will perform. It will consider all the acquisition costs and any potential income, the associated risks and then assess whether the asset is a suitable acquisition from a financial perspective. This process will be led by the Strategic Finance Service, but the Director and the Board will be kept advised as projects are assessed and negotiated.

Other Council Consultees

7.12 After the identification of an asset, it will be incumbent on Strategic Property Services as Fund Manager to establish whether there may be constraints on the development or use of the asset.

7.13 In some cases, it may be appropriate to seek planning permission for a form of development prior to acquiring land. Strategic Property Services will consult with planning and highways colleagues (and other departments as appropriate) together with external consultants to decide whether planning permission should be sought prior to acquisition (conditional contract).

7.14 As part of this consultation, advice will be sought on suitable alternative uses for the site/asset. In case the existing or proposed use becomes unviable in the future, it is useful to have an alternative use value. The relative monetary risk of the investment can be quantified using this information.

7.15 Contemporaneously with the planning audit, the Council's legal section will be asked to undertake title searches of the land to ensure that the title is clean and there are no abnormal issues with the land that would be detrimental from a legal perspective.

7.16 Any existing or proposed tenant will also be credit checked.

Valuation

7.17 Valuation advice will usually be provided by a professionally qualified member of the Council's Estates team. Where the advice required is particularly specialist or, if otherwise appropriate, valuation advice may be provided by another suitably qualified external surveyor.

STAGE 3 - Approval to Acquire/Develop

7.18 If the investment satisfies both stages one and two of the appraisal process, then on reaching agreement in principle as to the terms of acquisition, a detailed report will be prepared for consideration by the Board. Subject to the Board's support, acquisitions will then either be presented to the Cabinet for approval (necessary due to the size, complexity or risk (financial or reputational) of the proposed investment) or will be progressed by the Director of Corporate Resources under delegated powers. This report will set out how the acquisition is in accordance with agreed Council priorities and this Strategy.

7.19 Each business case will be approved by the Director of Corporate Resources (Section 151 officer) prior to presentation and discussion at the Board, which is chaired by the Lead Member for Resources.

7.20 All acquisitions shall have the necessary budgetary and relevant approvals before the acquisition is completed.

7.21 For clarity any decision that requires an approval of expenditure of more than £100,000 but less than £5 million can be made by the Director of Corporate Resources under the powers delegated by the Council.

7.22 Any decision that requires an approval of expenditure of less than £100,000 (and is line with a previous approved budget/scheme) can be made by the Head of Strategic Property Services'.

7.23 Any decision that requires an approval of expenditure of more than £5m will require Cabinet approval.

7.24 Cabinet approval is required for any 'out-of-county' direct property investment acquisitions.

7.25 Any indirect or non-property investment acquisitions 'out-of-county' are within the delegated authority of the Director of Corporate Resources

Surveys and Instructions

7.26 When all appropriate surveys (which must include an asbestos survey where the acquisition involves a building erected prior to 1999) have been satisfactorily completed or provided, the Council's legal services team will be instructed to complete the documentation associated with the acquisition.

Other Investments

7.27 Other investments, such as into pooled property funds and private debt, will be subject to approval as part of the Council's overall financial management processes. This will include a specific report to Cabinet outlining the potential risks and benefits of the investment.

RISK

8.1 In respect of every investment there will be several risks that need to be assessed prior to a project being taken forward and then managed, mitigated and monitored throughout the life of a project. The key risks faced by the County Council in respect of its investment activities are set out below.

Investment Risk

8.2 The main risk with any investment lies with the ability to ensure the ongoing income stream and original investment is maintained and safeguarded.

8.3 For direct property, measures can be taken through, for example, ensuring that the tenant is of good covenant and is financially secure.

8.4 If the tenant defaults then whilst there are procedures to recover the rent, this is not guaranteed and can be time consuming and costly.

8.5 There are also issues with voids (periods of time when the investment is not income producing but the asset is incurring costs such as insurance, security, business rates, repairs etc.).

8.6 The ability to attract tenants of sufficient quality/sound covenant will also be affected by the macro-economic situation and more regional/location factors.

8.7 Holding an element of the fund in pooled property funds helps to mitigate against these risks although for these, and non-property-based investments, there will always be a dependency on the overall economic situation, including specifically the prevailing interest rate.

Financing Risk

8.8 The Council is to ensure compliance with the Prudential Code for Capital Finance in Local Authorities and ensure liquidity and security of the principal capital and not to tie up resources into long term situations whereby short-term cash needs cannot be met or cannot be met without a significant financial penalty.

8.9 The returns generated by the Fund need to reflect the potential for the principal invested to reduce and for lost liquidity. A minimum total nominal return of 6.1% is sought in every investment (3.5% Green Book * 2.5% average inflation). This is reviewed (at least) annually for changes in the opportunity cost of the Council's resources (e.g. borrowing) and other factors such as inflation and returns available elsewhere. Detail of how financial returns on investments will be assessed is set out in Appendix A of this Strategy below.

8.10 Decisions relating to the financing of investment and/or development will be taken in conjunction with the Council's Treasury Management Strategy Statement and Annual Investment Strategy both approved each year as part of the Council's MTFS.

Reputational Risk

8.11 It is important that the reputation of the Council is protected during both times of financial restraint or otherwise in the investments that it makes.

Development Risk

8.12 This risk is specifically associated with developing property and these are higher than those risks associated with acquiring an already built property investment or investing in pooled property funds. This is therefore reflected in the potential returns.

8.13 Build cost over runs and delays during the pre and the main construction phases will directly affect the profitability of the scheme and (as above) the risk of not securing a tenant to pay the rent is higher when dealing with new builds.

8.14 This can be mitigated by not building speculatively but only with an identified occupier tenant already in place, legally secured through an Agreement to Lease. However, this may not always be the best strategy as some prospective tenants may wish to see the building in place first before entering into a contract. Each of these scenarios will be judged on a merit basis as they arise.

8.15 Officers will continue to keep the Director of Corporate Resources updated on projects to ensure that risks are monitored, eradicated or mitigated (or, in project management risk terms, the strategies to be employed are: treat, tolerate, transfer, terminate) where possible.

Managing Risks

Direct Property Investment Appraisal Process

8.16 In order to minimise the risks associated with any investment being considered the Director of Corporate Resources will:

8.16.1 Consider the level of return required from the capital that is invested. Each proposal should review the liquidity of the proposed acquisition and a fully costed exit strategy should the asset underperform and is not capable of being improved.

8.16.2 Undertake a cost/benefit analysis to fully understand the likely returns, identify any hidden costs and include key metrics such Expected Yield, Internal Rate of Return and Payback period.

8.16.3 Undertake a market analysis to ascertain the likelihood of success across a full range of indicators.

8.16.4 Consider the use of external expertise where required to enhance the internal knowledge/ skills of officers and provide a greater level of assurance on the risks and mitigations involved, with the quality of the advice measured through the performance of each individual proposal against the benchmark/ target rate as set in the original business case and reported through to the Board regularly.

8.16.5 Produce a risk register for each property investment opportunity and update this annually. As each risk is analysed, a score which is a factor of probability and impact will be calculated (as per chart below) to ascertain the need for prioritising any actions to either tolerate, treat, terminate or transfer each particular highlighted risk.

Impact (Negative)

			Minor	Moderate	Major	Critical
			1	2	3	4
Probability	4	Almost Certain	Medium (4)	High (8)	Very High (12)	Very High (16)
	3	Likely	Medium (3)	High (6)	High (9)	Very High (12)
	2	Possible	Low (2)	Medium (4)	High (6)	High (8)
	1	Unlikely	Low (1)	Low (2)	Medium (3)	Medium (4)

8.17 The property investments will be considered as part of a diverse asset portfolio, to mitigate the risk associated with any single investment proposal. This diversification will include selecting a range of proposals with mixed payback, investment levels, returns, geographical locations, investment liquidity, specialist's skills and markets.

Fraud and Corruption

8.18 The Director of Corporate Resources will ensure that risks of loss through fraud, error, corruption or other such eventualities in its investment dealings are mitigated as far as is practicable and that these systems and procedures in place to tackle this are robust.

8.19 The Director and officers are alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, procedures for verifying and recording the identity of counterparties (e.g. tenants) will be maintained, as will arrangements for reporting suspicions, and ensuring that all members of staff involved in such dealings are properly trained.

8.20 Items that will be regularly reviewed as part of every transaction will include:

8.20.1 Powers to own property investments

8.20.2 Money laundering risks

8.20.3 Property fraud risks

8.20.4 Changes to property legislation (e.g. Energy Act)

8.20.5 Appropriate third party checks before transacting

8.20.6 Due diligence in transactions

8.20.7 Keeping abreast of impact of legislative changes

8.20.8 Regular inspections of the assets

8.21 Full records of the purchase process will be kept in a separate file relating to the property and these records shall include details as to the valuation relied on in making the decision to acquire, the financial appraisal together with consents, approvals and papers recording the decisions taken under delegated powers. Such documents will form part of the public record.

Member and Officer Oversight

8.22 The Council will continue to ensure the prudent management of its investments and for giving priority firstly to the security of the capital.

8.23 The Council will continue to ensure that procedures for monitoring, assessing and mitigating the risk of loss of invested sums are robust. The Board will play a vital role in assessing investment proposals early on and thereafter monitoring projects and overall performance of the Fund.

8.24 Financial performance of the Fund is monitored by officers and members on a regular basis. The Cabinet and the Scrutiny Commission will receive regular MTFS monitoring reports which include information on the operation of the Fund. These bodies also receive an annual report on investment activity undertaken during each financial year which also provides an update on ongoing projects.

8.25 Officers have continuous oversight of matters relating to property assets held for both service delivery and investment purposes. These are monitored through the Asset Management Working Group and the Corporate Property Steering Group chaired by the Director of Corporate Resources.

8.26 Effective management and control of risk are prime objectives in the management of the Fund. Any risk identified will form part of the managing departments Risk Register Which will be managed and mitigated and reassessed regularly in accordance with the Council's usual practice. Where appropriate, any significant risks will be captured on the Council's Corporate Risk Register which is overseen and monitored by the Council's Corporate Governance Committee.

RISK SUMMARY

9.1 The Fund is to acquire property investments (where the Fund is purely buying an income stream), property development sites (where the Fund will be involved in finding tenants and building schemes out) and other property/strategic land (where there is an expectation of a future capital gain).

9.2 This could be either directly or indirectly as part of the managed fund (pooled property). The Fund is also acquiring debt but not considering, at this stage, investing in other investable assets (commodities, FTSE shares etc.).

9.3 The Fund is unlikely to acquire surplus operational property (that is being disposed of) where it has no development potential.

9.4 The Council must consider its ability to recall invested funds; including the length of time and the ease and cost with which said investments can be returned in their entirety.

9.5 It is important for the Council to consider the key requirement of the Prudential Code which requires authorities not to tie up resources into long term situations whereby short-term cash needs cannot be met or cannot be met without a significant financial penalty. There must be a clear understanding and forecast of short-term cash needs which will need to be fully provided for by the Council before it considers longer term capital tie in.

9.6 This portfolio view, as well as individual asset classes, will be regularly reported to the Board, the Cabinet and the Scrutiny Commission.

9.7 Each individual proposal will have an exit strategy clearly articulated in the original business case which will provide an indicative timeline for the repayment of capital/ returning of funds once the decision has been made to divest, subject to market conditions.

PERFORMANCE MONITORING/ BENCHMARKING

10.1 CIPFA guidance states that: -

"**Performance measurement** is a process designed to calculate the effectiveness of a portfolios or managers investment returns or borrowing costs, and the application of the resulting data for the purposes of comparison with the performance of other portfolios or managers, or with recognised industry standards or market indices."

10.2 It is clearly important to monitor performance to ensure that any judgements being made are the right ones.

10.3 The Fund is subject to regular valuations – with a regular review of investment methods as well as the delivery models. This will also include a regular assessment of the credit worthiness etc. of the Fund's tenants.

10.4 It is the Council's aim to achieve a stable long-term surplus, profit and value for money from its investment activities.

10.5 As part of the performance reporting of the commercial programme the Board will consider not only new investment proposals, but also ongoing reporting of commercial activity outlining:

10.5.1 the performance of the portfolio,

10.5.2 the future pipeline of opportunities,

10.5.3 the investment forecast,

10.5.4 the risks and mitigations,

10.5.5 the detailed performance and commentary of each investment/ development proposal within the portfolio.

10.6 The reporting will be effective enough to allow the Board to support decisions on the future of each investment proposal considering four key outcomes:

Increase - the proposal is performing well, and every indicator shows that the Council should increase the amount invested to generate a greater return

Continue - the proposal is performing well, and every indicator shows that the Council should continue with the existing levels of investment

Warning - the proposal is not performing well and should be closely monitored and remedial action taken. If the proposals poor performance hasn't been reversed The Board should consider alternate strategies

Exit/Disinvest/Stop - the proposal is not performing well, despite the Council's best efforts, the proposal should be considered for closure as soon as practicable and the exit strategy evoked.

10.7 The commercial approach of the Council has to be considered against the wider CIPFA financial regulations and MHCLG guidelines.

10.8 Each investment made by the Council will need to be regularly valued as part of the year end accounts closure process, with different asset types requiring differing valuation methods and timings.

10.9 There will be an annual analysis of the portfolio mix and re-profiling of the portfolio. This includes the current estate as well as new acquisitions. There will be more regular reviews in changeable/volatile economic circumstances.

10.10 The Fund should continue to consider its exposure to both macro and local economic downturns and monitor financial market commentaries and reviews on the likely future courses of interest rates, exchange rates and inflation and their potential impact on the property market and yields.

10.11 The Fund should allow sufficient flexibility both to take advantage of potentially advantageous changes in market conditions and to mitigate the effects of potentially disadvantageous changes.

10.12 Officers will report regularly to the Director of Corporate Resources and will provide an annual report to Cabinet and to the Scrutiny Commission as well as updates throughout the year.

10.13 The Fund uses the Investment Property Databank (IPD) Benchmark as its overall performance yardstick.

10.14 More financial technical benchmarks such as Expected Yield and Internal rate of Return are also used to provide accounting rigor regarding the Fund's performance.

10.15 Other items such as total investment, risk profile, liquidity and exit costs for the individual activities above a certain threshold are summarised in the regular reports to The Board.

10.16 The Statutory Guidance on Local Government Investments (3rd Edition) which is issued under s15(1)(a) of the Local Government Act 2003 requires local authorities to develop quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its decisions (para 22 of the Guidance).

10.17 Therefore, the Council has adopted the quantitative indicators as recommended by the Guidance (see Appendix A) and these, where appropriate, will form part of the Corporate Asset Investment Fund Annual Report.

STAFF RESOURCES

11.1 The Fund is managed by the Head of Service with support from colleagues in Strategic Property Services. The Director of Corporate Resources will ensure that there are adequate resources employed to ensure the Fund is managed in a safe and productive manner.

APPENDIX A

Quantative Performance Indicators		Estimate 2021/22	Estimate 2025/26
Debt to net service expenditure (NSE) ratio	Gross debt as a percentage of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.	n/a	n/a
Commercial income to NSE ratio	Dependence on non-fees and charges income to deliver core services. Fees and charges should be netted off gross service expenditure to calculate NSE.	1.41%	1.49%
Investment cover ratio	The total net income from property investments, compared to the interest expense.	n/a	n/a
Loan to value ratio	The amount of debt compared to the total asset value.	n/a	n/a
Target income returns	Net revenue income compared to equity. This is a measure of achievement of the portfolio of properties.	3.3%	3.1%
Benchmarking of returns	As a measure against other investments and against other council's property portfolios.	5.3%	5.1%
Gross and net income	The income received from the investment portfolio at a gross level and net level (less costs) over time.	£9.5m	£11.0m
		£6.2m	£8.0m
Operating costs	The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.	£3.2m	£3.0m
Vacancy levels and Tenant exposures for non-financial investments	Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.	10.80%	5.0%
		(23,400 sq. ft.)	(45,000 sq. ft.)
Amount of tenanted farmland disposed of vs acquired	Monitoring the size of the County Farm Estate.	0 acres sold vs	100 acres sold vs
		0 acres acquired (7,401 acres held)	0 acres acquired (7,150 acres held)
Number of tenant farmers	Monitoring how many farmers have taken leases on County Farms Properties with particular reference to new entrants to the farming sector.	1 new letting	2 new letting
		1 new entrant	1 new entrant
Note 1. No borrowing has been incurred to fund CAIF			

APPENDIX B

Leicestershire County Council Corporate Asset Investment Fund
Strategy Review Paper
December 2020
For and on behalf of Hymans Robertson LLP

Reported to Cabinet (5th February 2021) - Agenda Item 486
https://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6440&Ver=4

Report available at:
https://politics.leics.gov.uk/documents/s159432/Appendix%20B%20-%20Hymans%20Robertson%20Review%20Paper.pdf

Leicestershire County Council

SCRUTINY COMMISSION - 31 JANUARY 2022

MEDIUM TERM FINANCIAL STRATEGY 2022/23 – 2025/26

JOINT REPORT OF THE CHIEF EXECUTIVE AND THE DIRECTOR OF CORPORATE RESOURCES

Purpose of Report

1. The purpose of this report is to:

   a) provide information on the proposed 2022/23 to 2025/26 Medium Term Financial Strategy (MTFS) as it relates to the Chief Executive's Department; and

   b) ask the Commission to consider any issues as part of the consultation process and make any recommendations to the Cabinet accordingly.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2021. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2022/23 to 2025/26 was considered by the Cabinet on 14th December 2021.

Background

3. The MTFS is set out in the report to Cabinet on 14th December 2021, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Chief Executive's Department.

4. Reports such as this one have been presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process on the 11th February 2022 before recommending an MTFS, including a budget and capital programme for 2022/23, to the County Council on the 23rd February 2022.

Service Transformation

5. The functions delivered by the Chief Executive's Department play critical roles in supporting transformation and the Department takes the corporate lead on developing and delivering the Strategic Plan and the Communities Strategy.

The work of the Chief Executive's Department includes: Legal Services, Democratic and Civic and Member Support, Strategy and Business Intelligence (including Resilience, Communities and Economic Growth), Planning and the Historic and Natural Environment and Regulatory Services which includes Trading Standards, Registration and Coronial services.

6. The Department is co-ordinating the Council's response to Covid-19, EU Exit, and cases of Avian Influenza, through the involvement of Departmental Management Team (DMT) members, Heads of Service and many staff, including the partnership-funded Resilience Team. These incidents, together with other possible incidents (seasonal flu, floods, storms etc) are expected to place substantial demands on the Department for the rest of 2021/22 and into 2022/23. Regulatory Services and the Resilience Team have been especially involved (but with other sections also involved) and very actively committed to supporting the Council's continued response to Covid-19 challenges. Longer term recovery work will remain a priority for many years, including for the Economic Growth and Communities teams.

Proposed Revenue Budget

7. Table 1 below summarises the proposed 2022/23 revenue budget and provisional budgets for the next three years thereafter. The proposed 2022/23 revenue budget is shown in detail in Appendix A.

Table 1 – Revenue Budget 2022/23 to 2025/26

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Original prior year budget	12,458	12,725	12,455	12,050
Budget transfers and adjustments	-3	0	0	0
Add proposed growth (Appendix B)	360	5	-230	0
Less proposed savings (Appendix B)	-90	-275	-175	-200
Proposed/Provisional budget	**12,725**	**12,455**	**12,050**	**11,850**

8. Detailed service budgets have been compiled on the basis of no pay or price inflation. A central contingency will be held which will be allocated to services as necessary.

9. The central contingency also includes provision for an annual 1% increase in the employers' contribution to the Local Government Pension Scheme based upon the 2019 triennial actuarial revaluation of the pension fund.

10. The total proposed expenditure budget for 2022/23 is £18.7 million with contributions from grants, fees and charges and other income sources totalling £6.0 million. The proposed net budget for 2022/23 of £12.7 million is distributed as shown in Table 2 below:

Table 2 - Net Budget 2022/23

	£000	%
Democratic Services and Civic and Member Support	1,589	12.5
Legal Services	2,562	20.1
Strategy and Business Intelligence	5,065	39.8
Emergency Management and Resilience	300	2.4
Regulatory Services	2,797	22.0
Planning, Historic and Natural Environment	481	3.8
Departmental Items	-69	-0.5
Total	**12,725**	**100.0**

Budget Transfers and Adjustments

11. Budget transfers (totalling a net decrease of £3,000) were made during the 2021/22 financial year.

12. Growth and savings have been categorised in the appendices under the following classification:

    * item unchanged from previous MTFS

    ** item included in the previous MTFS, but amendments have been made

    No stars - new item

13. This star rating is included in the descriptions set out for growth and savings below.

14. Savings have also been highlighted as ‘Eff’ or ‘SR’ dependent on whether the saving is seen as an efficiency or service reduction or a mixture of both. ‘Inc’ denotes those savings that are funding related and/or generate more income.

Growth

15. Details of proposed growth are set out in Appendix B and provide for an additional £0.1 million per annum by 2025/26. These are described in the following paragraphs.

16. *G20: Connectivity (Broadband) Team - formalise revenue funding; £5,000 in 2022/23, £5,000 in 2023/24 reducing to -£220,000 in 2024/25*

    This growth bid formalises the funding of the Connectivity (Broadband Team), which has historically been offset against future expected gainshare returns.

Formalising the revenue funding of the team to 31 March 2024 will provide greater flexibility in relation to the deployment of future gainshare income. However, potential sources of external funding for the team will continue to be explored alongside funding for the infrastructure.

17. G21: Midland Engine subscription; £20,000 in 2022/23

The County Council is part of the Midland Engine and there is an annual subscription towards this organisation. There is currently no budget provision for this and in previous years it has been funded from underspends in the Department.

The Midlands Engine Partnership is comprised of public sector partners and businesses with the objective of generating added value for the whole of the Midlands and its communities. The partnership is focused on increasing productive economic growth and improving the quality of life for every part of the region.

18. G22: Coroner's Service - additional costs from Leicester City due to increase in number of cases; £80,000 in 2022/23

Growth is required to provide an increase to the revenue budget of the Coroner's Service, which has seen a significant increase in costs due to the rising number of cases brought to the Coroner for review. The amount requested is based on the increased costs of Coronial support across the service, including a greater need to utilise Assistant Coroners.

19. G23: Trading Standards - additional responsibilities placed on the service by the Government and an increase in demand for service delivery; £120,000 in 2022/23

The Trading Standards service requires additional staffing for the following reasons:

- There is a trading standards skills crisis across the service, and it is increasingly difficult to recruit to qualified positions. The recruitment of two additional regulatory compliance apprentices and a qualified trading standards practitioner will help alleviate this shortfall in the long term. Food safety enforcement is a particular area of concern and these apprenticeships will allow the service to 'grow our own' specialists.
- Post pandemic the service continues to experience high demand to deliver services across a wide range of areas, in particular, combatting unfair trading practices, responding to an increasing number of animal health incidents and supporting businesses through the provision of specialist compliance advice.

The Government continues to assign new enforcement responsibilities to trading standards services with only one area of responsibility receiving a grant allocation (food safety, "Natasha's Law"). The service also has significant Covid19 regulatory /enforcement duties.

20. G24: Carbon Reduction Programme; £135,000 in 2022/23

There is a requirement to coordinate the Council’s activity in relation to the Green agenda and to provide direct support to the Lead Member for the Environment, ensuring political commitments are reflected in the Council’s actions. As a result of the corporate commitment to the Green agenda, coupled with a growing complexity and breadth of activity in the programme, there is a need for additional resources, and these are best located within the Chief Executive’s Department.

Savings

21. Details of proposed savings are set out in Appendix B and total £0.7 million by 2025/26. These are detailed in the following paragraphs.

22. **CE1: SR/Eff Staffing (Vacancy control and agency costs); £50,000 in 2023/24 rising to £100,000 in 2024/25

All vacancies are scrutinised via the Department’s recruitment and expenditure board assisted by advice from Corporate Resources and HR Business support. Where there is a vacancy, there is generally a time lag between the postholder leaving and a new appointee starting, which will contribute to the savings.

The Department is reliant on using Agency staff at times for certain posts due to a shortage of skills within the marketplace. This applies especially in Regulatory services, Legal services and Planning Historic and Natural Environment. Stricter controls are being applied to this through scrutiny via the board. It is also expected that the recruitment incentive packages will assist in making the council more competitive in the marketplace as an employer. The impact of the pandemic and home- working has also extended the geographic pool of potential candidates for appointment which it is expected will assist the department to avoid costly agency placements.

23. *CE2: Inc Planning, Historic and Natural Environment - Fee Income; £25,000 in 2022/23 rising to £75,000 in 2024/25

The increased planning application fees targets have been set based on recent years’ income trends, which show a steady increase in planning application fees income. The first six months of 2021/22 suggest a significant reduction in planning application fees income (believed to be related to Covid -19 implications) but it can be expected that, as the economy recovers, high income-generating planning applications will be submitted once again in the 2022/23 financial year.

It is expected that there will be a national review of planning application fees but at present no date has been set for this. Based on the frequency of previous reviews, it is estimated that this may take place in 2023.

24. CE3: Eff Review of Legal Case Management and New Ways of Working; £200,000 in 2023/24 rising to £500,000 in 2025/26

A review of case work systems and processes is being undertaken in Legal Services in partnership with Newton Europe assisted by colleagues in the Transformation Unit. The purpose of the review is to identify efficiencies and the focus of the review is in connection with the creation of a budget within Legal Services to cover externalisation of legal work, reviewing how, when and why work is externalised and how it may be more efficiently delivered in house and so provide savings to this budget.

The review is expected to report in the new year and the outcome will be used to inform efficiencies across the department thorough sharing knowledge and good practice. The anticipated savings will arise from 2023/24 onwards. It is likely that the work will identify that Legal Services will require a replacement case management system.

25. CE4: Eff LGA subscription saving; £65,000 in 2022/23

Cabinet, at its meeting in March 2021, agreed that the County Council would resign its membership of the Local Government Association and that its subscription fee be used to fund additional highways maintenance activity.

Savings Under Development

26. Corporate Reviews

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

27. Increased Income

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

28. Coronial Services

Potential efficiencies could occur from a different operating model for coronial services in the future following the retirement of HM Coroner for Leicestershire North and Rutland and the proposed merger of the coronial jurisdiction with Leicester City and Leicestershire South. This is at an early stage and is subject to external procedures operated by the Chief Coroner, the Lord Chancellor's Department and Ministry of Justice.

External Influences

29. The Department will continue to support the Council's response to the Covid-19 pandemic, which will place additional pressure on business as usual and the Communities, Resilience, Trading Standards, Coroner's and Legal services sections.

30. Following the UK's departure from the EU and the end of the transition period, Trading Standards and Legal Services there is potential for a significant increase in the demand for their services as there is a need to apply retained EU law and new UK provisions which may impact on the achievement of the MTFS in 2022/23 and beyond. There may also be implications for the work of the Resilience Team and the Economic Growth Team.

31. It is expected that a Levelling Up White Paper will be published in 2022 which is likely to create additional demand on most sections of the Department.

32. All the services delivered by Legal, Trading Standards, Coroners and Registrars are demand led. The expected growth in the local population, coupled with the increase in the average age of residents, will increase the demand on certain services. Consumer fraud is on the increase, which will place more demand on Trading Standards to tackle scams and other forms of financial crime.

33. The planning fee income will be subject to any national guidance or regulations that may be issued in due course. Whilst all sections in the Department will be affected by the general economic position, there is the potential that this will impact the Planning, Historic and Natural Environment most significantly if there is a continuing downturn in development.

34. Increases in Legal Services fee income are limited to the rules that apply to an in-house local authority legal department to the effect that charges imposed are to recover costs and not make a profit. Accordingly, existing notional hourly rates for the Council's professional legal staff will be reviewed. Legal Services is also restricted in its ability to undertake traded work with non-council clients requiring Regulatory Body approval. Legal Services will monitor any relaxations in restrictions to be able to explore this opportunity further. In the meantime, it will promote its expertise and availability through the 'buy- back' scheme it operates to provide legal advice and support to Leicestershire academy trusts and schools.

Other Funding Sources

35. For 2022/23, the following Government grant is expected:

The Local Reform and Community Voices Grant (£294,000 in 2021/22) provides funding to support the local Healthwatch and Independent Complaints Advocacy services. Local Healthwatch is the consumer champion for patients and the public in health and social care. The Independent Complaints Advocacy

Service (ICAS) provides support to people who wish to make a complaint about the service they have received from the NHS. The level of funding has yet to be confirmed for 2022/23.

Capital Programme

36. The Chief Executive’s Department capital programme totals £0.1 million in 2022/23 and £0.7million over the next four years. Details are provided at Appendix C and in the following paragraphs.

37. Shire Community Solutions Grants

The funding requested is to continue the capital scheme at the present level of funding of £0.1 million per year. There is also an annual revenue budget of £0.35 million per year in the current MTFS. The Shire Community Grants scheme provides funding to voluntary and community sector organisations for projects supporting implementation of the Communities Strategy, in particular the support of vulnerable and disadvantaged people and communities. Providing support to these communities in the form of grant funded projects should also reduce demand for Council services in the longer term.

38. Legal Case Management System

Dependent on the outcome of the review of case management and ways of working, there is likely to be a requirement for a new case management system to enable better case management and data analysis. £250,000 has been included in the capital programme subject to a business case. The current system is not meeting the needs of the service. A new system will allow greater understanding of case load per lawyer and cost per case as well as the opportunity to streamline processes and maximise the use of standard and template material where possible. The system will need to include a case bundling system as at present this is time and labour intensive, reliant on a software package that is not compatible with the current system. The system will also need to allow the continued use of electronic case filing systems to avoid a return to paper files.

Equality and Human Rights implications

39. Public authorities are required by law to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between people who share protected characteristics and those who do not; and
- Foster good relations between people who share protected characteristics and those who do not.

40. Many aspects of the County Council’s MTFS may affect service users who have a protected characteristic under equalities legislation. An assessment of the impact of the proposals on the protected groups must be undertaken at a formative stage prior to any final decisions being made. Such assessments will be undertaken in light of the potential impact of proposals and the timing of any

proposed changes. Those assessments will be revised as the proposals are developed to ensure decision makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic.

41. Proposals in relation to savings arising out of a reduction in posts will be subject to the County Council Organisational Change policy which requires an Equality Impact Assessment to be undertaken as part of the action plan.

Background Papers

Cabinet 14 December 2021 - Medium Term Financial Strategy 2022/23 to 2025/26
http://politics.leics.gov.uk/documents/b17344/Item%204%20-%20MTFS%20-%20Supplementary%20Report%20Tuesday%2014-Dec-2021%2014.00%20Cabinet.pdf?T=9

Circulation under Local Issues Alert Procedure

None.

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List of Appendices

Appendix A – Revenue Budget 2022/23

Appendix B – Growth & Savings 2022/23 – 2025/26

Appendix C – Capital Programme 2022/23 – 2025/26

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APPENDIX A

CHIEF EXECUTIVE'S DEPARTMENT

REVENUE BUDGET 2022/23

Budget 2021/22 £		Employees £	Running Expenses £	Internal Income £	Gross Budget	External Income £	Net Total £
	DEMOCRATIC SERVICES, ADMIN & CIVIC AFFAIRS						
1,354,785	Democratic Services and Administration	1,325,696	92,422	0	1,418,118	-63,333	1,354,785
114,000	Subscriptions	0	69,000	0	69,000	0	69,000
165,895	Civic Affairs	29,039	142,856	0	171,895	-6,000	165,895
1,634,680	**TOTAL**	**1,354,735**	**304,278**	**0**	**1,659,013**	**-69,333**	**1,589,680**
2,561,951	**LEGAL SERVICES**	3,665,830	139,457	-608,746	3,196,541	-634,590	2,561,951
	STRATEGY AND BUSINESS INTELLIGENCE						
1,507,599	Business Intelligence	2,148,422	137,413	-524,886	1,760,949	-253,350	1,507,599
1,732,114	Policy and Communities	892,298	1,210,287	-70,471	2,032,114	-300,000	1,732,114
1,273,170	Growth Service	1,263,896	839,144	-425,063	1,677,977	-264,807	1,413,170
412,291	Management and Administration	407,248	5,043	0	412,291	0	412,291
4,925,174	**TOTAL**	**4,711,864**	**2,191,887**	**-1,020,420**	**5,883,331**	**-818,157**	**5,065,174**
299,730	**EMERGENCY MANAGEMENT AND RESILIEN(**	653,206	101,606	-124,912	629,900	-330,170	299,730
	REGULATORY SERVICES						
1,602,681	Trading Standards	1,804,830	155,851	-60,000	1,900,681	-178,000	1,722,681
1,095,974	Coroners	236,670	999,304	0	1,235,974	-60,000	1,175,974
-101,942	Registrars	987,567	73,191	0	1,060,758	-1,162,700	-101,942
2,596,713	**TOTAL**	**3,029,067**	**1,228,346**	**-60,000**	**4,197,413**	**-1,400,700**	**2,796,713**
506,160	**PLANNING SERVICES**	1,220,620	164,824	-29,911	1,355,533	-874,374	481,159
-69,120	**DEPARTMENTAL ITEMS**	-88,120	19,000	0	-69,120	0	-69,120
12,455,288	**TOTAL CHIEF EXECUTIVES**	**14,547,202**	**4,149,398**	**-1,843,989**	**16,852,611**	**-4,127,324**	**12,725,287**

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APPENDIX B

	References			2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
			GROWTH				
			Demand & cost increases				
*	G20		Connectivity (Broadband) Team - core funding until 2023/24	5	10	-220	-220
	G21		Midland Engine	20	20	20	20
	G22		Coroner's	80	80	80	80
	G23		Trading Standards	120	120	120	120
	G24		Carbon Reduction Programme	135	135	135	135
			Total	**360**	**365**	**135**	**135**
			SAVINGS				
**	CE1	SR/Eff	Staffing (vacancy control and agency reduction)	0	-50	-100	-100
*	CE2	Inc	Planning, Historic and Natural Environment - fee income	-25	-50	-75	-75
	CE3	Eff	Review of Case Management and New Ways of Working	0	-200	-300	-500
	CE4	Eff	LGA subscription saving	-65	-65	-65	-65
			Total	**-90**	**-365**	**-540**	**-740**

* items unchanged from previous Medium Term Financial Strategy
** items included in the previous Medium Term Financial Strategy which have been amended
Eff = Efficiency saving; SR = Service reduction; Inc = Income

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APPENDIX C

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2022/23 to 2025/26 - Draft

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

Future Developments - subject to further detail and approved business cases					
Rural Broadband Scheme					

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Leicestershire County Council

SCRUTINY COMMISSION
31st JANUARY 2022

MEDIUM TERM FINANCIAL STRATEGY 2022/23–2025/26

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of Report

1. The purpose of this report is to:

   a) Provide information on the proposed 2022/23 to 2025/26 Medium Term Financial Strategy (MTFS) as it relates to the Corporate Resources Department;

   b) Ask members of the Scrutiny Commission to consider any issues as part of the consultation process and make any recommendations to the Cabinet accordingly.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2021. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2022/23–2025/26 was considered by the Cabinet on 14th December 2021.

Background

3. The MTFS is set out in the report to Cabinet on 14th December 2021, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Corporate Resources Department.

4. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process on 11th February 2022 before recommending a MTFS, including a budget and capital programme for 2022/23 to the County Council on 23rd February 2022.

Service Overview

5. The Corporate Resources (CR) department provides front line, traded and support services to enable the organisation to be efficient and effective through the Digital and Information Technology, People, Ways of Working and Commercial agendas.

6. The CR department has undergone significant change through the Fit for the Future programme support functions including Finance, HR, Procurement, ICT and East Midlands Shared Services (EMSS).

7. Additionally, programmes such as the Corporate Asset Investment Fund, alongside developing work streams around the Ways of Working programme and Wider Commercialism, have the potential to fundamentally transform the way the Corporate Services function operates and drives efficiencies.

Proposed Revenue Budget

8. **Table 1** below summarises the proposed 2022/23 revenue budget and provisional budgets for the next three years. The proposed 2022/23 revenue budget is shown in detail in Appendix A.

Table 1 – Revenue Budget 2022/23 to 2025/26

	2022/23 £000	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**
Original prior year budget	34,089	34,304	32,024	31,814
Budget transfers and adjustments	-730	0	0	0
Updated budget after transfers & adj	33,359	34,304	32,024	31,814
Add proposed growth (**Error! Reference source not found.**)	1,855	-5	0	0
Less proposed savings (Appendix B)	-910	-2,275	-210	-1,475
Proposed/Provisional budget	**34,304**	**32,024**	**31,814**	**30,339**

9. Detailed service budgets have been compiled on the basis of no pay or price inflation, a central contingency will be held which will be allocated to services as necessary.

10. The total proposed expenditure is £94.7m with a gross budget for 2022/23 of £70m after accounting for internal income, recharges and contributions from earmarked funds of £24.7m. Trading income and other grants are projected at £35.7m resulting in a proposed net budget for 2022/23 of £34.3m. This is allocated as per the following table:

CR Net Budget 2022/23	**£m**
Information Technology, Communications & Digital and Customer Service	15.2
Corporate Services and Operational Property	14.2
Finance, Strategic Property and Commissioning	9.8
East Midlands Shared Services	2.0
Corporate Asset Investment Fund (net contribution)	-6.5
Commercialism (net contribution)	-0.5
Department Total	**34.3**

Other Changes and Transfers

11. A number of budget transfers totalling a net reduction of £0.7m, were made during the 2021/22 financial year. These transfers include:

    a) +£0.4m budget cost increase for inflation transferred from the central inflation contingency for inflationary price increases relating primarily to ICT and Insurance.
    b) +£0.5m budgets transferred from other departments into CR relating to the centralisation of mobile phones, ICT peripherals and photocopier charges as part of the Ways of Working programme.
    c) (£1.6m) budget transfer from central items to CR of indirect CAIF investment income (pooled property and private debt interest) to align with other CAIF Investment Income (from directly held property).

12. Growth and savings have been categorised in the appendices under the following classification:

*	item unchanged from previous MTFS;
**	item included in the previous MTFS, but amendments have been made;
No stars	new item.

13. This star rating is included in the descriptions set out for growth and savings below.

14. Savings have also been highlighted as “Eff” or “SR” dependent on whether the saving is seen as an efficiency or a service reduction or a mixture of both. “Inc” denotes those savings that are funding related or to generate more income.

Growth

15. The total amount of growth requested for £1.855m for 2022/23 which remains in total static over the four years. This is summarised in the table below and outlined in more detail in the next section:

References		**Corporate Resources Growth**	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
		Demand & cost increases				
*	G25	Customer Service Centre - support service levels (temporary growth removed)	-100	-200	-200	-200
**	G26	ICT license subscriptions and support costs & increased email security	325	325	325	325
	G27	Additional Procurement & Finance support for the Capital Programme	145	145	145	145
	G28	ICT service desk and project support resources to meet increased demands	110	110	110	110
	G29	Health, safety & wellbeing - increased demands and legislative changes to fire safety regulations	75	100	100	100
	G30	Pressures arising from additional External Audit requirements	50	50	50	50
	G31	Increased demand for Communications Team	0	70	70	70
	G32	Commercial Services - reduce target	1,150	1,150	1,150	1,150
	G33	Investment in Tree Nurseries	100	100	100	100
		TOTAL	**1,855**	**1,850**	**1,850**	**1,850**

Demand and Cost Increases

16. * G25 Customer Service Centre – support service levels (removal of temporary growth) - £0.1m in 2022/23 increasing to £0.2m in 2023/24

The Customer Service Centre (CSC) is the first point of contact for customers of Adult Social Care, Highways and Transport enquiries, Waste Management, Regulatory Services and School Admissions; answering a half a million customer contacts every year across a range of channels.

Additional temporary resources of £0.3m were provided for 2020/21 to meet additional demand due to the extension to the Blue Badge scheme; and the delay in realising efficiencies and savings from technological improvements to working practices. The additional budget is expected to be reduced by £0.1m each subsequent year of the MTFS and although efficiencies are being planned, the CSC remains under some pressure to deliver service in challenging conditions.

17. ** G26 ICT license subscription & support costs and increased email security - £0.3m in 2022/23

Existing growth provisions within the MTFS for licence subscriptions are driven by contractual increases in licence fees above expected inflation. Specifically, the three-year contract renewal for Microsoft licences will commence in July 2022, with price increases of up to 20% hitting many public sector organisations. This growth of £285k also continues to be fuelled by the increasing demands placed on our technological infrastructure.

The proposed increase to the MTFS figure of £40k relates to a new growth bid to improve and enhance email security. Investment in an increased set of security functionalities from existing products will enhance the ability of the ICT function to control spam and other non-business email, simultaneously helping to mitigate the risk of encountering the most common forms of cyber-attack facing LCC i.e. malware or ransomware through phishing.

18. G27 Additional Procurement and Finance support for the Capital Programme £145k from 2022/23

There is an increasing requirement for capital investment across the organisation with the total requirements for the next four years currently projected to exceed £500m.

To enable the necessary tight controls required around this expenditure, additional resources are required of Grade 14 and Grade 13 Commercial specialists and a Grade 13 Capital Accountant.

Partial funding has been provided by removal of vacant posts.

19. G28 ICT Service Desk and project support resources to meet increased demands £110k from 2022/23

The ICT Service desk requires two additional members of staff to meet the increased demands resulting from more remote working and expanded use of digital tools. Specifically, these resources will ensure that technological support to members can continue to be delivered effectively at meetings, whilst maintaining optimum resource availability for normal operations to prevent query backlogs and poor service quality.

A project officer role is also required to increase project support and to realign the balance of project officers and project managers within the ICT projects team ensuring maximum efficiency and effectiveness within the resources available is delivered, and that the risk of delays and slippage is reduced on key IT projects.

20. G29 Health, safety & wellbeing – increased demands and legislative changes to fire safety regulations £75k in 2022/23 rising to £100k in 2023/24

This growth is required to fund the legislative changes to fire safety regulations to ensure buildings remain both safe and compliant and also to fund a Wellbeing Advisor that has been funded previously from reserves. The demand for wellbeing services has increased following covid 19 and all the associated implications and change arising for staff from the pandemic.

21. G30 Pressures arising from additional External Audit requirements £50k from 2022/23

In line with the national trend, external auditors have increased the amount of rigour undertaken within their audits which has resulted in increased costs charged by the external auditor and increased internal pressure on teams to provide the evidence.

LCC has seen a 40% increase in the external audit costs over the last five years although this remains the lowest cost of all the county council audits.

Following the pandemic and remote working, communications for managers and staff have increased and these remain a critical part of ensuring staff remain connected and are able to perform their jobs with the right context.

22. G31 Increased demand for the Communications team £70k from 2023/24

These resources are currently already in place and are being funded for this year and 2022/23 from the Contain grant.

23. G32 Commercial Services reduced contribution target £1.15m from 2022/23

Between 2016 and 2020 Leicestershire Traded Services (LTS) had a target to increase the contribution that it makes to Leicestershire County Council by an additional net £2m through a combination of increased sales, increased prices and reducing costs.

The service has faced additional cost pressures from the increase in National Living Wage (NLW), and significant difficulty in delivering ambitious income growth targets in the context of a global pandemic. Covid-19 and associated government restrictions have hindered recovery and continues to have a significant impact on some LTS services, particularly some events and hospitality services which remained closed until summer 2021 and are still recovering.

The school food service has previously contributed the largest amount of contribution and this has been the most impacted by increased staff costs, staff vacancies and increased food prices, which has had £0.7m adverse impact.

Taking account of the points above, the stretch targets are thought to now be unachievable in the short term under the current circumstances. This growth bid reinstates the LTS budgets to a more realistic level for which savings improvement of up to £0.64m is planned for over the next four years and are included in the Savings section.

24. G33 Investment in Tree Nurseries £100k from 2022/23

The need for increased tree cover is, both globally and nationally, well documented as a major action to mitigate climate change. This £100k growth is to make investments in tree nurseries in Leicestershire, as per the Tree Management Strategy and Tree Action Plan

Savings

25. The MTFS proposed savings for Corporate Resources total £0.9m for 2022/23 rising to £4.9m by 2025/26. The savings are summarised in the table below and outlined in more detail in the next section.

References			Corporate Resources Savings	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
**	CR1	Eff/Inc	Ways of Working - Use of office space	0	-845	-670	-1,380
**	CR2	Eff/Inc	Increasing Commercial Services contribution	0	-200	-375	-640
*	CR3	Eff	Environment improvements - energy & water	-50	-50	-50	-50
**	CR4	Inc	Increase returns from Corporate Asset Investment Fund	-600	-1,500	-1,600	-1,600
**	CR5	Inc	Place to Live - Accommodation income	-40	-80	-120	-120
	CR6	Eff	Customer & Digital Programme	-70	-180	-180	-680
	CR7	Eff	Operational Finance process improvement	0	-100	-100	-100
	CR8	Eff	Transformation Unit efficiencies	-50	-130	-200	-200
	CR9	Eff	Insurance – integration with Internal Audit and review of cover	-75	-75	-75	-75
	CR10	Eff	Reduced Business Travel	-25	-25	-25	-25
			TOTAL	**-910**	**-3,185**	**-3,395**	**-4,870**

26. <u>**CR1 Eff/Inc - Ways of Working – Use of office space: -£0.8m in 2023/24 rising to -£1.4m by 2025/26</u>

The Ways of Working programme is a multi-disciplinary taskforce working collaboratively to drive out new, more flexible ways of working. With representatives across IT, Property, Transformation, HR/OD and Communications, focus has been not only on how we use our physical workplace (desks and buildings) but also on culture and infrastructure changes that will maximise the potential benefits of embedding new ways of working within the Council.

A refreshed business case was produced in November 2021 with savings expected to be generated from reductions in property rental costs, service charges and running costs as premises are exited; rationalised or sold as part of the original workplace strategy, as well as increased income generation through further rental income for the County Hall campus.

There are also a number of other benefits which may derive efficiency savings resulting in cost reduction which are unknown at present but likely to include:

- Increased productivity
- Reduction in carbon
- Reduced operating costs
- Improved recruitment and retention

27. **CR2 Eff /Inc - Increasing Commercial Services contribution: -£0.2m in 2023/24 rising to -£0.6m by 2025/26

Commercial services are delivered under the umbrella Leicestershire Traded Services (LTS) and include the provision of various traded services including school food, catering, property and facilities.

Between 2016 and 2020 Leicestershire Traded Services (LTS) had a target to increase the contribution that it makes to Leicestershire County Council by an additional net £2m through a combination of increased sales, increased prices and reducing costs. Significant pressures outlined in the growth section above have impacted the ability to deliver the previous stretch targets under the current circumstances.

Following on from this last year's operating model changes and commercial agreement reviews further work is underway to deep dive into the financial, commercial and operational models to identify additional actions that can be taken to mitigate the current economic pressures, identify further efficiencies, and improve our service offering.

LTS continues to face significant staffing pressures due to wider economic impacts being seen by the Catering and Hospitality industry on top of additional short-term pressures from sickness due to Omicron. We anticipate the staffing pressures to continue for a couple of years and continue to develop ways to mitigate or reduce the impacts.

To partially mitigate against the adverse financial climate, some progress has been made and this includes the rationalisation of teams within Operational property, and Leisure and Hospitality which have been undertaken to deliver sustainable cost savings. Further consideration of the staffing structures and services offered by LTS continues to both increase contribution and minimise risk. Increased income is expected from Country Parks arising from increased visitor numbers and an investment in parking infrastructure.

28. *CR3 Eff - Environment improvements - energy & water: -£50k from 2022/23

These are the next phase of savings identified as part of The Strategic Property Energy Strategy 2020-2030 to drive reductions in annual energy consumption, savings on energy bills and investment in the provision of renewable energy.

These savings will arise from investments already made in greener sources of energy across the LCC property estate as well as achieving returns from the SCORE+ (Schools Collaboration on Reducing Energy) partnership.

29. *CR4 Eff - Increased Returns from Corporate Asset Investment Fund (CAIF): -£0.6m from 2022/23 rising to -£1.6m by 2025/26

Asset investment opportunities are appraised and taken forward, subject to the business case and approval by the Corporate Asset Investment Fund Advisory Board. These investments will generate an additional ongoing revenue stream (for example, rental income from farms or industrial units) or future capital receipts in excess of what is required for the initial investment.

The previous target of £3m p.a. of additional revenue income by 2021/22 is now achieved and further opportunities are in the pipeline balancing the use of income to support the overall revenue position for the authority with the requirement for capital funding.

Across all of the portfolio the latest forecast for 2021/22 is ahead of £5.9m target projecting a £6.2m return.

The planned investments are expected to increase the previous MTFS targets in 2023/24 and 2024/25 by £0.9m and £1.0m respectively and is to be met by the existing direct property portfolio, pooled property funds and other financial investments

30. *CR5 Inc - Place to Live – Accommodation income: -£40k in 2022/23 rising to -£120k by 2024/25*

The Council has put aside £10m in the ASC capital programme to fund developments linked to Social Care Investment Programme objectives. As an upper tier authority with no Housing function the Council has contracted Nottingham Communities Housing Association (NCHA) to act as a landlord on its behalf. NCHA leases the housing that the Council develops and rents them to vulnerable tenants nominated by the Council. This saving represents the rental income from this arrangement, recognising the capital investment.

31. CR6 Eff - Customer and digital programme - £70k in 2022/23 rising to -£680k by 2025/26

The Customer and Digital programme will enable departments to realise savings through delivery of digital solutions. Examples of initiatives identified so far include Integrative Voice Response (IVR) enhancements, structured Contact Us forms for enquiries and online encouragement for waste permits and Report It functionality for Street Lighting and Public Rights of way. Opportunities for improving the school transport customer experience has been identified as a priority and will be considered as part of a wider system replacement project.

32. CR7 Eff - Operational Finance process improvement - £100k from 2023/24

The Operational Finance programme was set up to maximise best practice and improve processes and interactions following the Fit for the Future programme implementation of Oracle Fusion with the focus being around 5 core themes of:

- Procure to Pay
- Order to Cash
- Reporting
- Support Model
- Business Process Interactions

The aim is the ensure that the technology is fully exploited, and efficiencies will be generated by reduced processing times, reduced error, improved controls and a review of target operating models.

33. CR8 Eff - Transformation Unit Efficiencies - £50k in 2022/23 rising to £200k by 2025/26

The 2022/23 savings have already been achieved following a review and restructure of the Transformation Unit (TU) operations and structure in 2021. The resulting service plan provides for ongoing efficiencies through improved ways of working – primarily focused on reducing management costs and improving the connections to departmental decision making.

Future year's savings will be achieved through continuous improvement activity and vacancy management.

34. CR9 Eff - Insurance – Integration with Internal Audit and review of cover £75k from 2022/23

Across a tough market, a review of the insurance cover was undertaken with the Council's broker. Although some premiums experienced an increase a reduction was enabled in other elements of cover (in line with other Council's level of liability) as well as an increase in self insurance resulting in £45k of savings. The other £30k saving has been delivered through the merger of the management of the Audit and Insurance functions under a single manager enabling some saving on staff costs.

35. CR10 Eff - Reduced Business Travel £25k from 2022/23

Travel expenses within the department have seen a significant reduction since pre covid 19 times and this reduced level of business travel is expected to continue as digital tools have been put in place for remote meetings and working and this has become a sustained way of working.

The total amount of savings to be achieved from business travel across the department are significantly more than these savings but are already included in savings lines such as Commercial and Ways of Working.

Savings Under Development

36. The financial climate for the Council, along with other Local Authorities remains challenging and to bridge the significant funding shortfall projected in future years; each department is required to identify additional savings. The following has been identified as potential opportunities to take forward following further evaluation and planning.

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

38. *Vacant Properties*
Alongside the property estate rationalisation being progressed as part of the Ways of Working Programme, Strategic Property and Operational Property will continue to assess the Council's fluid portfolio of existing and emerging vacant properties and land with a view to determining the most practical and economically advantageous option for using, leasing, renovating and returning to use, or disposing of such assets in each instance..

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

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

Corporate Resources Capital Programme

41. Table 2 below summarises the proposed capital programme. A further breakdown is provided in Appendix C. The proposed capital programme totals £12.3m over the next four years including £5.1m in 2022/23 and is described in more detail in the following paragraphs.

Table 2 Summary Draft Capital Programme 2022/23 to 2025/26

	2022/23	2023/24	2024/25	2025/26	Total
ICT	1,200	0	100	2,390	**3,690**
Ways of Working	3,364	1,669	1,262	1,293	**7,588**
Property Services	150	130	0	0	**280**
Climate Change - Environmental Improvements	345	410	0	0	**755**
	5,059	**2,209**	**1,362**	**3,683**	**12,313**

42. ICT: £1.2m in 2022/23 amounting to £3.7m over the MTFS period

Investment in technology and digital capability throughout the organisation is a priority to increase efficient and modern ways of working in addition to maintaining security and robust systems and infrastructure. This investment includes replacement, capacity growth and upgrade across the corporate estate for 2022/23 including:

- £1.0m investment in IT data backup to help protect against new Cyber Threats

- £0.2m for the replacement of the Hyper-Converged Infrastructure (HCI) which was installed in 2017/18 and is approaching 5 years old (the typical age when core IT infrastructure components should be considered for replacement). The HCI infrastructure is a critical to the provision of IT systems access for the authority.

43. Ways of Working programme: £3.4m in 2022/23 amounting to £7.6m over the MTFS period

This programme is to redesign the ways in which the Council delivers its services freeing up property space to generate rental and reducing associated costs.

The investment is based on changing office infrastructure costing £1.1m in 2022/23 (1.3m across the MTFS); PC's and Laptops costing £1.6m 2022/23 (£4.9m across the MTFS) property costs costing £0.7m 2022/23 (£1.3m across the MTFS).

The resulting annual savings from this investment of £1.4m by 2025/26 are outlined in CR1. Additional savings are expected to materialise in other departments via increased efficiency and reduced travel costs.

44. Property major maintenance and improvements: £0.2m in 2022/23 amounting to £0.3m over the MTFS period

For 2022/23 significant elements of the programme includes:

- £0.2m (£0.3m across the MTFS) for the replacement of County Hall lifts.

45. Climate Change - environmental Improvements: £0.4m in 2022/23 amounting to £0.8m over the MTFS period.

For 2021/22 this includes:

- £0.3m (£0.7m across the MTFS) to support SCORE+, the Schools energy efficiency scheme.

- £0.0m (£0.1m across the MTFS) for additional investment in Electric Vehicle Car Charging Points. The additional charging points will be targeted at public locations managed by the Council, such as Bosworth Battlefield and Beacon Hill, dependant on feasibility studies.

Future Developments

46. Capital projects that have not yet been fully developed or plans agreed have been excluded from proposed bids and will be treated as 'Future Developments'. It is intended that as these schemes are developed during the year and where there is a financial justification, or an investment required to maintain delivery of the service, they are included in the capital programme.

47. The potential programmes and schemes that may require capital investment in the future include:

- ICT Investment: There is a need for significant investment in the ICT infrastructure including remote access, network connectivity, data centres and data storage, telephony and system back up. Further work is required to assess options.

- Country Parks: A number of initiative are being scoped to generate additional income from country parks including: development of former rangers buildings to be used as a café and community/work space at Market Bosworth country park; implementation of ANPR ticketless car parking at various country parks; resurfacing

Ashby Woulds heritage trail; and refurbishment of Broombriggs Farm cottage for short hold tenancy/holiday rental.

- Climate change: Continued development of Energy asset upgrades to corporate buildings to reduce running costs, and deliver on corporate energy strategy, environmental strategy and climate targets. In addition installation of solar panels to at Stud Farm to supply electricity via a Power Purchase Agreement (PPA) to the tenant farmer. Income from the PPA would accrue to the energy projects revenue budget, with payback anticipated within 15 years.

Equality and Human Rights Implications

48. Public authorities are required by law to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between people who share protected characteristics and those who do not;
  and
- Foster good relations between people who share protected characteristics and those who do not.

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

50. Proposals in relation to savings arising out of a reduction in posts will be subject to the County Council Organisational Change policy which requires an Equality Impact Assessment to be undertaken as part of the action plan.

Background Papers

Cabinet: 14th December 2021 – Medium Term Financial Strategy 2022/23 to 2025/26

Circulation under local issues alert procedure

None.

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Appendices

Appendix A – Revenue Budget 2022/23
Appendix B – Growth and Savings 2022/23 – 2025/26
Appendix C – Capital Programme 2022/23 – 2025/26

Appendix A

CORPORATE RESOURCES DEPARTMENT

REVENUE BUDGET 2022/23

Net Budget £000		Employees £000	Running Expenses £000	Internal Income £000	Gross Budget £000	External Income £000	Net Budget £000
	AD Finance, Strategic Property & Commissioning						
2,610,351	Strategic Property	1,945,586	1,243,204	-547,070	2,641,720	-207,572	2,434,148
2,321,807	Audit & Insurance	1,858,493	3,339,498	-1,160,563	4,037,428	-1,830,078	2,207,350
3,811,533	Strategic Finance & Pensions	5,569,586	406,258	-1,683,771	4,292,073	-203,030	4,089,043
386,231	Corporate Resource Other	48,280	94,475	-51,000	91,755	0	91,755
-108,660	Score+ Schemes	0	0	0	0	-108,660	-108,660
1,045,482	Commissioning Support	1,250,541	35,801	-149,000	1,137,342	-12,500	1,124,842
10,066,744		**10,672,486**	**5,119,236**	**-3,591,404**	**12,200,318**	**-2,361,840**	**9,838,478**
1,808,208	**East Midlands Shared Services**	**4,488,614**	**2,189,543**	**-310,019**	**6,368,138**	**-4,394,374**	**1,973,764**
	AD IT, Communications & Digital, Customer Service						
11,231,371	*IT*	*7,352,001*	*5,860,912*	*-1,185,705*	*12,027,208*	*10,000*	*12,037,208*
1,020,229	*Communications & Digital Services*	*1,321,334*	*241,500*	*-535,503*	*1,027,331*	*-10,065*	*1,017,266*
2,281,234	*Customer Services*	*2,569,510*	*-205,595*	*-129,531*	*2,234,384*	*-54,850*	*2,179,534*
14,532,834		**11,242,845**	**5,896,817**	**-1,850,739**	**15,288,923**	**-54,915**	**15,234,008**
	Commercialism						
	LTS Catering						
86,514	*Leisure & Hospitality*	*555,608*	*514,634*	*-31,081*	*1,039,161*	*-867,750*	*171,411*
-118,431	*Education Catering*	*11,985,857*	*6,159,878*	*-8,279,248*	*9,866,487*	*-10,119,117*	*-252,630*
-322,589	*Beaumanor*	*901,209*	*540,910*	*-46,689*	*1,395,430*	*-1,522,286*	*-126,856*
-354,506		13,442,674	7,215,422	-8,357,018	12,301,078	-12,509,153	-208,075
	LTS Professional & Other Services						
-21,920	*Bursar Service*	*198,920*	*14,536*	*-59,032*	*154,424*	*-176,000*	*-21,576*
-345,298	*LEAMIS*	*703,359*	*323,400*	*-933,438*	*93,321*	*-490,000*	*-396,679*
-37	Music Service	1,448,114	525,886	0	1,974,000	-1,974,000	0
-94,982	*HR Services*	*1,174,535*	*57,150*	*-219,548*	*1,012,137*	*-1,117,615*	*-105,478*
-462,237		3,524,928	920,972	-1,212,018	3,233,882	-3,757,615	-523,733
-915,516	**LTS Infrastructure**	227,502	71,000	-64,137	234,365	0	234,365
-1,732,259	**Total Commercialism**	**17,195,104**	**8,207,394**	**-9,633,173**	**15,769,325**	**-16,266,768**	**-497,443**
	Corporate Services						
	Operational Property						
3,491,717	*Building Running Costs*	*251,351*	*4,169,563*	*-238,000*	*4,182,914*	*-817,613*	*3,365,301*
2,300,000	*Building Maintenance*	*0*	*3,650,000*	*-1,350,000*	*2,300,000*	*0*	*2,300,000*
2,064,394	*Operational Property*	*1,951,511*	*213,743*	*-208,270*	*1,956,984*	*0*	*1,956,984*
60,234	*Traveller Services*	*228,891*	*52,735*	*-14,948*	*266,678*	*-206,285*	*60,393*
7,916,345		2,431,753	8,086,041	-1,811,218	8,706,576	-1,023,898	7,682,678
	Corporate Services						
948,879	*Business Support Services*	*929,969*	*154,651*	*-126,961*	*957,659*	*-13,600*	*944,059*
618,039	*Management*	*683,779*	*9,614*	*-33,000*	*660,393*	*0*	*660,393*
1,982,555	*HR*	*2,393,899*	*46,417*	*-394,690*	*2,045,626*	*0*	*2,045,626*
1,387,838	*L&D*	*1,601,144*	*88,778*	*-143,964*	*1,545,958*	*-159,701*	*1,386,257*
-26,541	*LTS Property Services*	*2,945,805*	*1,872,891*	*-4,172,389*	*646,307*	*-724,773*	*-78,466*
234,887	Country Parks	*525,374*	*414,236*	*0*	*939,610*	*-744,750*	*194,860*
1,427,203	*Transformation*	*3,639,696*	*24,927*	*-2,289,108*	*1,375,515*	*0*	*1,375,515*
6,572,860		12,719,666	2,611,514	-7,160,112	8,171,068	-1,642,824	6,528,244
14,489,205		**15,151,419**	**10,697,555**	**-8,971,330**	**16,877,644**	**-2,666,722**	**14,210,922**
	Corprate Asset Investment Fund						
-495,800	*Rural*	*0*	*1,219,200*	*0*	*1,219,200*	*-1,266,500*	*-47,300*
0	*Distribution*				*0*		*0*
-1,062,094	*Industrial*	*0*	*1,376,635*	*-251,000*	*1,125,635*	*-2,969,600*	*-1,843,965*
-2,647,816	*Office*	*0*	*490,850*	*0*	*490,850*	*-4,077,314*	*-3,586,464*
-1,600,000	*Other*	*0*	*740,000*	*-118,000*	*622,000*	*-1,600,000*	*-978,000*
-5,805,710		**0**	**3,826,685**	**-369,000**	**3,457,685**	**-9,913,414**	**-6,455,729**
33,359,022	**Total Corporate Resources**	**58,750,468**	**35,937,230**	**-24,725,665**	**69,962,033**	**-35,658,033**	**34,304,000**

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CORPORATE RESOURCES

Appendix B

References		GROWTH	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
		Demand & cost increases				
*	G25	Customer Service Centre - support service levels (temporary growth removed)	-100	-200	-200	-200
**	G26	ICT license subscriptions and support costs & increased email sec	325	325	325	325
	G27	Additional Procurement & Finance support for the Capital Program	145	145	145	145
	G28	ICT service desk and project support resources to meet increased demands	110	110	110	110
	G29	Health, safety & wellbeing - increased demands and legislative changes to fire safety regulations	75	100	100	100
	G30	Pressures arising from additional External Audit requirements	50	50	50	50
	G31	Increased demand for Communications Team	0	70	70	70
	G32	Commercial Services - reduce target	1,150	1,150	1,150	1,150
	G33	Investment in Tree Nurseries	100	100	100	100
		TOTAL	**1,855**	**1,850**	**1,850**	**1,850**

	References		SAVINGS	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
**	CR1	Eff/Inc	Ways of Working - Use of office space	0	-845	-670	-1,380
**	CR2	Eff/Inc	Increasing Commercial Services contribution	0	-200	-375	-640
*	CR3	Eff	Environment improvements - energy & water	-50	-50	-50	-50
**	CR4	Inc	Increase returns from Corporate Asset Investment Fund	-600	-1,500	-1,600	-1,600
**	CR5	Inc	Place to Live - Accommodation income	-40	-80	-120	-120
	CR6	Eff	Customer & Digital Programme	-70	-180	-180	-680
	CR7	Eff	Operational Finance process improvement	0	-100	-100	-100
	CR8	Eff	Transformation Unit efficiencies	-50	-130	-200	-200
	CR9	Eff	Insurance – integration with Internal Audit and review of cover	-75	-75	-75	-75
	CR10	Eff	Reduced Business Travel	-25	-25	-25	-25
			TOTAL	**-910**	**-3,185**	**-3,395**	**-4,870**

References used in the following tables

* items unchanged from previous Medium Term Financial Strategy

** items included in the previous Medium Term Financial Strategy which have been amended

Eff - Efficiency saving

SR - Service reduction

Inc - Income

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CORPORATE RESOURCES - CAPITAL PROGRAMME 2022-26

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

Capital Resources	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Disc. Capital Programme Funding	5,059	2,209	1,362	3,683	12,313
	0	0	0	0	0
Total	**5,059**	**2,209**	**1,362**	**3,683**	**12,313**
Net Funding Required	**0**	**0**	**0**	**0**	**0**

Future Developments - subject to further detail and approved business cases

Major System Replacements, IAS, Mosaic, Capita One, STADS, PAMS, s106 system

ICT Future Development:
- Remote Access
- Network Connectivity (Resiliency)
- WDM Equipment (DC to DC Connectivity Hardware)
- Telephony Equipment
- LoadBalancers
- Mobile Smartphone Refresh
- Solaris Storage

Country Parks Future Developments:
- Potential for further Cafés
- Country Parks - ANPR ticketless car parking expansion
- Ashby Woulds Heritage Trail - resurfacing
- Broombriggs Farm Cottage - refurbishment
- New Adventure Play Facility

Climate Change Future Developments:
- Energy & Water Strategy - Invest to save
- Green energy generation
- Decarbonisation of LCC's Property Estate
- Score + (Schools Energy Efficiency Scheme)

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