DATE:	13 February 2024
MY REF:	RW/CCouncil
PLEASE ASK FOR:	Mrs. R. Whitelaw
DIRECT DIALLING:	(0116) 305 6098
E-MAIL:	rosemary.whitelaw@leics.gov.uk

Dear Sir/Madam

I summon you to the MEETING of the LEICESTERSHIRE COUNTY COUNCIL to be held at COUNTY HALL, GLENFIELD on WEDNESDAY, 21 FEBRUARY 2024 at 2.00 p.m. for the transaction of the business set out in the agenda below.

Yours faithfully

Chief Executive

A G E N D A

1.	Chairman's Announcements.	
2.	Report of the Returning Officer.	(Pages 5 - 6)
3.	To confirm the minutes of the meeting of the Council held on 7 December 2023.	(Pages 7 - 20)
4.	To receive declarations by members of interests in respect of items on this agenda.	
5.	To answer questions asked under Standing Order 7(1)(2) and (5).	
6.	To receive position statements under Standing Order 8.	

To consider reports of the Cabinet, Scrutiny Commission, Scrutiny Committees and other bodies:

7.	Report of the Cabinet.	
	(a) Medium Term Financial Strategy 2024/25 - 2027/28.	(Pages 21 - 300)

8. Report of the Corporate Governance Committee.

(a) Proposed Changes to the Contract Procedure Rules. (Pages 301 - 316)

9. To consider the following notice of motion:

(a) Support for Care Experienced People - Mrs D. Taylor CC

(i) This Council notes that:

(a) Care experienced people face significant barriers that impact them throughout their lives;
(b) Despite the resilience of many care experienced people, society too often does not take their needs into account;
(c) Care experienced people often face discrimination and stigma across housing, health, education, relationships, employment and in the criminal justice system;
(d) Care experienced people may encounter inconsistent support in different geographical areas;
(e) As corporate parents, members have a collective responsibility for providing the best possible care and safeguarding for the children who are looked after by us as an authority;
(f) All corporate parents should commit to acting as mentors, hearing the voices of looked after children and young people and to consider their needs in any aspect of council work;
(g) Members should be champions of the children in our care and challenge the negative attitudes and prejudice that exists in all aspects of society;
(h) The Public Sector Equality Duty requires public bodies, such as councils, to have due regard of the need to eliminate unlawful discrimination, harassment, and victimisation of people with protected characteristics.

(ii) This Council therefore resolves that:

(a) It recognises that care experienced people are a group who are likely to face discrimination;
(b) It recognises that co-production and collaboration can help ensure that the needs and aspirations of all people are at the heart of decision making;
(c) Future decision, services and policies made and adopted by the Council should be assessed through Equality Impact Assessments to determine the impact of changes on people with care experience, alongside those who formally share a protected characteristic;
(d) In the delivery of the Public Sector Equality Duty the Council will work towards including people with care experience in the publication and review of Equality Objectives and the annual publication of information relating to people who share a protected characteristic in services and employment.

(e) This Council will treat care experience as if it were a protected characteristic whilst recognising that the needs of people with legally defined protected characteristics will need to take precedence if there is a conflict;

(f) This Council formally calls upon other local authorities within Leicestershire to treat care experience as a protected characteristic until such time as it may be introduced by legislation;

(g) To continue proactively seeking out and listening to the voices of care experienced people when developing new policies based on their views.

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COUNTY OF LEICESTERSHIRE

REPORT OF THE RETURNING OFFICER

ELECTION OF COUNTY COUNCILLOR FOR THE BLABY AND GLEN PARVA ELECTORAL DIVISION – 21ST DECEMBER 2023

To report that the person elected was as follows:

Name	Description
SUSAN PATRICIA JORDAN	Liberal Democrat

John Sinnott

Returning Officer

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MINUTES OF THE MEETING OF THE LEICESTERSHIRE COUNTY COUNCIL HELD AT COUNTY HALL, GLENFIELD ON WEDNESDAY, 6 DECEMBER 2023

PRESENT

Dr. R. K. A. Feltham CC (in the Chair)

Mr. R. G. Allen CC, Mr. R. Ashman CC, Mr. N. D. Bannister CC, Mr. T. Barkley CC, Mr. P. Bedford CC, Mr. D. C. Bill MBE CC, Mr. G. A. Boulter CC, Mr. S. L. Bray CC, Mr. L. Breckon JP CC, Mr. B. Champion CC, Mr. N. Chapman CC, Mr. M. H. Charlesworth CC, Mr. J. G. Coxon CC, Mr. M. Frisby CC, Mrs. H. J. Fryer CC, Mr. S. J. Galton CC, Mr. D. A. Gamble CC, Mr. K. Ghattoraya CC, Mr. T. Gillard CC, Mr. D. J. Grimley CC, Mrs. A. J. Hack CC, Mr. L. Hadji-Nikolaou CC, Mr. B. Harrison-Rushton CC, Mr. D. Harrison CC, Mr. R. Hills CC, Mr. Max Hunt CC, Mr. P. King CC, Mr. B. Lovegrove CC, Mr. K. Merrie MBE CC, Mr. J. Miah CC, Mr. J. Morgan CC, Mr. M. T. Mullaney CC, Ms. Betty Newton CC, Mr. O. O'Shea JP CC, Mr. J. T. Orson CC, Mrs. R. Page CC, Mr. B. L. Pain CC, Mr T. Parton CC, Mr. T. J. Pendleton CC, Mr. L. Phillimore CC, Mr J. Poland CC, Mrs. P. Posnett MBE CC, Mrs. C. M. Radford CC, Mr. T. J. Richardson CC, Mrs H. L. Richardson CC, Mr. N. J. Rushton CC, Mrs B. Seaton CC, Mr. R. J. Shepherd CC, Mr. C. A. Smith CC, Mrs D. Taylor CC and Mrs. A. Wright CC

27. CHAIRMAN'S ANNOUNCEMENTS.

Deaths of Past Chairman and Former County Councillor

The Chairman reported with sadness the deaths of former County Councillor and past Chairman, Mr Bill Liquorish, and of former County Councillor Mr Don Smart.

Mr Liquorish was a member of the County Council from 2005 to 2021. He represented the Broughton Astley electoral division.

Mr Liquorish mainly served on the Development Control and Regulatory Board and on a variety of Overview and Scrutiny Committees, including a period as Chairman of the Children and Young People’s Service Overview and Scrutiny Committee.

He served as Chairman of the Council for the municipal year 2016 – 2017, where his easy-going and personable style did much to build new and lasting relationships whilst presenting the County Council in the best possible light.

Mr Don Smart was a member of the County Council from 1973 to 1981, representing the Melton Mowbray North electoral division.

He served mainly on the Policy and Resources Committee and the Education Committee, where he was Vice Chairman for a number of years.

Members stood in silent tribute to the memory of Mr Liquorish and Mr Smart.

Mr Geoff Welsh

The Chairman reported that Mr Welsh had recently resigned from the County Council due to health reasons.

Mr Welsh had been a member of the Council since 2013, representing the Blaby and Glen Parva electoral division.

He served mainly as one of the Group Spokesmen on the Children and Families Overview and Scrutiny Committee. He was also a Member Champion for Children in Care and Care Leavers.

Members joined with the Chairman in wishing Mr Welsh well for the future; he would be missed in the Council Chamber.

Armistice Day

The County Council marked Armistice Day with a service and two minute silence on Friday 10th November. The short and dignified service was conducted by the Chairman's local vicar Ludger Fremmer. The Chairman thanked Leanne Plummer for playing the Last Post and Reveille so competently. He was also pleased to see that County Hall was illuminated in red for the duration of the Royal British Legion's Poppy Appeal. The Chairman thanked those Members who were able to attend local services on Remembrance Sunday and lay a County Council wreath.

28. MINUTES.

It was moved by the Chairman, seconded by Mr Orson and carried:-

"That the minutes of the meeting of the Council held on 27th September 2023, copies of which have been circulated to members, be taken as read, confirmed and signed."

29. DECLARATIONS OF INTEREST.

The Chairman invited members who wished to do so to make declarations of interest in respect of items on the agenda for the meeting.

Mr Phillimore declared a non-registrable interest in issues relating to Special Educational Needs and Disabilities discussed in the reports of the Cabinet due to his wife's employment (minutes 32(a) and 32(b) refer).

30. QUESTIONS ASKED UNDER STANDING ORDER 7(1)(2) AND (5).

(A) Mr Hunt asked the following question of the Leader or his nominee:

"1. The Cabinet report on the Charnwood Local Plan 2021 -2037 in September 2022 stated that there would be "*a proportionate and reasonable deterioration in traffic conditions in the Borough as a result of developments being permitted prior to the overall mitigation package being put in place*.""

From a traffic management point of view, what should we understand to be a "*proportionate*" deterioration in traffic conditions, and how is it measured?

2. Traffic conditions in the above report are also described as a "*reasonable*" deterioration in traffic conditions, Highways improvements in Hinckley are described in the Annual Performance Report as meaning "*smoother* and *more efficient*" journeys. Cabinet members are apt to refer to roads as being "*congestion-busting*". All these may signify a level of congestion (or in the latter case the complete absence!) but the authority commits considerable resources to obtain reliable estimates of peak hour congestion to support business cases. Why are members not provided with such proper estimates rather than these meaningless phrases?

3. What were (a) our best estimates of the peak hour congestion at the beginning of the Charnwood Plan period and (b) what are now projected for the end of the Plan period?"

Mr O'Shea replied as follows:

"1. What constitutes a 'proportionate' deterioration in traffic conditions will vary according to circumstances, and correspondingly there is no single, universal way to define this, as is the case for other key terms used within the planning arena (perhaps most notably the term 'severe impacts' as referred to within the National Planning Policy Framework). As with such other terms, it should instead be understood as a principle, to be applied on a case-by-case basis to Local Plan site allocations as they come forward individually as planning applications, based on professional judgement (and where necessary informed by the outputs of transport assessment work undertaken as part of planning applications).

In coming to a decision about whether the deterioration in traffic conditions arising from particular developments is 'proportionate' or otherwise, the Local Highway Authority has to consider a range of factors in the round. For instance, the scope for proportionate deterioration in traffic conditions is likely to be lower at locations (normally junctions) where such deterioration is likely to result in wider network impacts (e.g. congestion spilling over to other locations/junctions, or displacement of traffic to less suitable roads), significant impacts on accessibility to key services and facilities or adverse effects on key road safety hotspots. Conversely, the scope for deterioration is likely to be greater in locations where the opposite is true. Furthermore, the Local Highways Authority's acceptance of proportionate deterioration in traffic conditions is conditional on securing proportionate (and reasonable in planning terms) contributions from development towards the delivery of the overall local plan mitigation package, which remains essential to ensure that the deterioration is addressed/minimised over the longer-term.

2. The transport evidence and forecasts produced to inform the development of Local Plans, scheme business cases and other comparable work are typically very complex and multi-faceted (for instance, the North and East Melton Mowbray Distributor Road business

cases, including modelling work, ran to several thousand pages). In most cases, it would therefore be impractical and potentially misleading to try and 'cherry-pick' selected technical outputs and figures from such work to utilise for the purposes suggested in the question. The terminology used in reporting to members (such as those cited in the question) seeks to articulate the broad objectives and principles underpinning transport schemes or strategies in a form that is as widely understandable as possible whilst being sufficient to the circumstances. In cases where members need more detailed data (e.g., to support decision making over specific proposals) this will be provided.

3. The most recent work to model the transport impacts of the draft Charnwood Local Plan was completed in June 2022, and is published on the Charnwood Local Plan Examination website as document 'Exam 31'. This work assesses the impacts of the Plan against a comparator 'do nothing' scenario (essentially assessing how the transport network would perform without the additional growth proposed through the Plan), and subsequently goes on to identify and model the effects of proposed mitigation packages to address these impacts. Summary statistics produced as part of this work show that at a district/network-wide scale, the Local Plan growth causes a drop in network performance during peak-hours without mitigation, but that this drop is largely addressed by the proposed mitigation package: for instance, during the PM-peak, district-wide average speeds fall by 0.2mph without mitigation from 49.7mph to 49.5mph, but return to 49.7mph with the mitigation package (whilst this change may appear modest, it is actually very significant considering the area, level of growth proposed and number of trips covered by such statistics). As with the examples cited in response to the previous question, these outputs should not be taken in isolation: they are just one part of a much wider, more complex and multi-faceted suite of evidence produced as part of the modelling work, which need be read as a whole alongside the accompanying commentary provided within the report."

Mr Hunt asked the following supplementary question:

"I would ask the Lead Member what he means by 'congestion busting' in terms of the metric that's been given, in terms of average delay or average speed, in his press releases?"

Mr O'Shea replied as follows:

"I'll answer you simply that congestion is congestion and to be honest with you I don't know what more I can say, other than that we have congestion, and we try our very best as a Council and as a Highways Authority to reduce that. If you're not happy with the reply, I'll give you a written reply again from officers."

[Subsequent to the meeting the following additional reply was received:

The phrase 'congestion busting' is colloquially used in press releases to give a general sense of purpose of a particular scheme. It is not intended to be a precise definition and indeed in a similar vein to the previous response to the *original question 1, it is not possible to provide a single, universal definition based on a simple metric/range of metrics. For example, and with reference to the figures provided in response to the original question 3, a transport mitigation package that achieves a forecast 0.2mph increase in average speeds at a district wide level is actually very significant considering the area, level of growth proposed, and number of trips covered by that statistic, but taken out of context may not on the face of it appear to be 'congestion busting'. Conversely, it would be readily more understandable for a scheme to be 'congestion busting' where it results in a 'substantial' reduction in queues and delays at a particular junction, albeit even then what might be considered 'substantial' is subject to the consideration of a range of factors, in the same way as 'proportionate' as per the original question 1.]*

(B) Mr Hunt asked the following question of the Leader or his nominee:

"1. Why are we so short of secondary school places in the County?

2. How many more places in secondary schools will be needed in the future for children with special educational needs for whom mainstream secondary school is predicted to be the right setting?

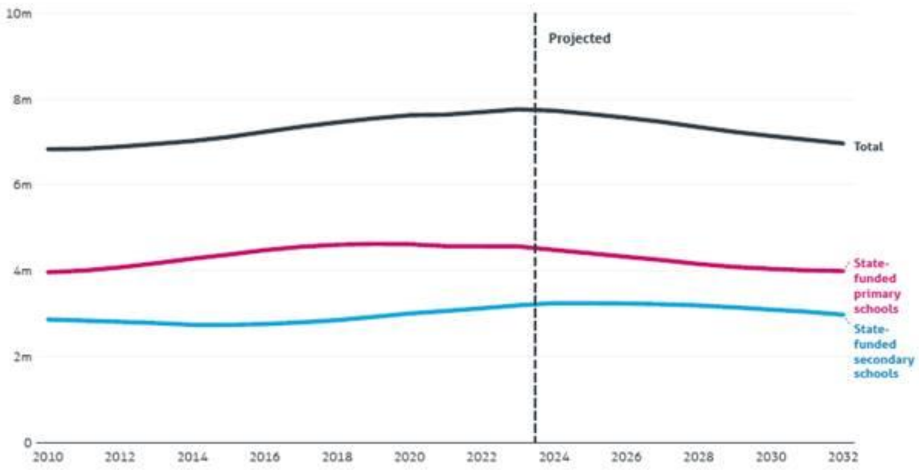
3. How can we ensure there are enough places for children with special educational needs for whom mainstream secondary school is the right setting?"

Mrs Taylor replied as follows:

"1. Nationally the number of pupils in secondary schools have hit a peak (as shown in the Chartered Institute of Public Finance and Accountancy (CIPFA) graph below). This is also reflected in Leicestershire, where the 2022, 2023 and 2024 Year 7 cohorts will be the largest and then a drop is expected.

Overall, there are enough secondary school places in Leicestershire. In the 2022/23 census there were 44080 pupils on roll and a capacity of 49237. There are enough places in each cohort. In 2023 97.6% of pupils gained one of their three preferences for starting secondary school and all on time applicants were allocated a place.

Figure 6.1 **Pupils, 2010–2032**



Source: Institute for Government analysis of DfE, 'National pupil projections: Reporting year 2023', supported by CIPFA. Notes: Figures are as at January of the given year. Primary pupil numbers are higher than secondary pupil numbers as primary school covers more years of compulsory education. Primary pupil numbers also include pupils in nurseries at state primary schools.

The changes are not uniform across the country: primary pupil numbers have decreased by 5.1% in London since 2019, when numbers peaked nationally, while other areas have seen either more modest decreases or small increases.[2] Think tank and media reports have attributed this to a growing number of young people being unable to afford starting a family in the capital.[3,4]

2. There are currently 1759 children with Education, Health and Care Plans (EHCPs) in mainstream education and this is projected to grow by 370 children in the next five years.

3. An EHCP names a provision and is not subject to basic needs admissions criteria, so, if a school place is named, the school is required to take the pupil. The Transforming SEND and Inclusion in Leicestershire (TSIL) programme has developed an inclusivity toolkit to ensure schools are able to meet the needs identified in children's EHCP as well as those children with SEN who do not have an EHCP. In addition to this, the School Organisation Service is working with a number of schools to improve their physical capacity to support SEN pupils to remain in mainstream schools. The mainstream school growth programme is responsible for ensuring there are sufficient school places across mainstream schools to support the projected population growth alongside ensuring sufficient mainstream provision is in place for children with SEN."

Mr Hunt asked the following supplementary question:

"I wasn't previously aware that the EHCP names a school place and can nominate a school to send a child to if the EHCP complies with what that school can offer. If that school has not completed an inclusivity assessment, or if it claims that its full or lacks capacity, what happens to the child when they are allocated a place that hasn't been assessed?"

Mrs Taylor replied as follows:

"An EHCP would recommend a school based on need. We would not recommend a school that could not meet need. If a mainstream school has said they can't cope with the child, we would do an EHCP and see what support we could provide with wraparound services for that child in mainstream school.

If the assessment was that they would need a specialist placement we would then recommend a specialist placement that can meet their need

I hope that clarifies your question but if not, please email me with a clearer question and I will send you a further written answer."

(C) Mr Mullaney asked the following question of the Leader or his nominee:

"There was recently a collision at the junction of Olympic Way and Leicester Road in Hinckley. Cars often speed along the stretch of Leicester Road past Olympic Way making it difficult for cars to pull out safely. Parking around the junction reduces visibility and makes it dangerous for cars pulling out of Olympic Way onto Leicester Road. I have requested double yellow lines at this junction on behalf of residents who have asked for them. I am aware that officers are looking into this request. Can I just urge the County Council Highways today to look favourably on putting yellow lines at this junction to make it safer"

Mr O'Shea replied as follows:

"Whilst officers are aware of a recent incident at this location, no specific details have been received from Leicestershire Police of an incident being reported to them, or the police having been in attendance.

Without those details, unfortunately the causation factors for that collision are unknown at this stage, however, officers have contacted the force directly to seek clarity.

With regards to double yellow lines at the junction, all requests received by the County Council need to be considered based on an evidence-led appraisal, to ensure that the County Council's limited resources to address traffic safety and parking problems are employed where most needed.

Officers will consider any information supplied by the Leicestershire Police alongside existing collision data to assess whether there is a safety issue at this location and if so, whether parking restrictions would help address. Mr Mullaney will be updated as soon as that work has been completed."

31. POSITION STATEMENTS UNDER STANDING ORDER 8.

The Leader gave a position statement on the following matters:

- MTFS;
- King's Award for Voluntary Service 2023;
- Devolution;
- Hinckley National Freight Interchange Update.

The Leader also reported that Braunstone Town Council had been awarded Council of the Year by the National Association of Local Councils and extended the County Council's congratulations to the Town Council for this achievement.

A copy of the position statement is filed with these minutes.

32. REPORTS OF THE CABINET.

(a) Annual Delivery Report and Performance Compendium.

It was moved by Mr Rushton, seconded by Mr Breckon and carried unanimously:

"That the Annual Delivery Report and Performance Compendium 2023 be approved"

(b) Annual Report of the Director of Public Health.

It was moved by Mrs Richardson, seconded by Mrs Radford and carried unanimously:

"That the Annual Report of the Director of Public Health 2023 be noted with support."

33. REPORT OF THE EMPLOYMENT COMMITTEE.

(a) Pay Policy Statement.

It was moved by Mr Breckon, seconded by Mr Bedford and carried unanimously:

"That the County Council's Pay Policy Statement 2024/25, as set out in the Appendix to the report of the Employment Committee, be approved."

34. REPORT OF THE CORPORATE GOVERNANCE COMMITTEE.

(a) Revised Protocol on Member/Officer Relations.

It was moved by Mr Barkley, seconded by Mr Richardson and carried unanimously:

"That the revised Protocol on Member/Officer Relations be approved."

2.00 pm – 3.37 pm
06 December 2023

CHAIRMAN

COUNTY COUNCIL MEETING – 6TH DECEMBER 2023

POSITION STATEMENT FROM THE LEADER OF THE COUNCIL

MTFS

You could sum up the Autumn Statement in one word, growth. The outlook for the economy has weakened and the Chancellor obviously felt he needed to do something about it now. We will see in time whether it has had the desired impact, unfortunately the impact of no additional funding for public services will be felt much sooner.

Inflation has been higher than expected and the county's population continues to increase, which is putting a strain on services. We plan prudently so, whilst I had hoped for an improved settlement, an unchanged one wasn't a shock.

The substantial 10% rise in the National Living Wage will have been welcome news for workers. However, as the key determinant of the wages of social care workers the rise will add £20 million onto our budget compared to this year, equivalent to a 5% increase in Council Tax. The National Living Wage increase was far higher than expected and in response we will have to identify more savings than currently planned and seriously consider maximising Council Tax.

To continue balancing our budget will be extremely challenging and we must be realistic about how we best support the people of Leicestershire within the financial constraints that we have.

Outside of the Autumn Statement there was some positive news. Whilst you can debate whether the HS2 decision was right it is undoubtedly positive that the savings are being redirected to things that matter locally.

The Prime Minister's announcement in early October cancelling HS2 and diverting that money into Network North means that Leicestershire will see much more funding invested in our roads and rail networks over the next decade. We have been given an additional £4.05m for buses under the BSIP+ funding stream next year. This is on top of the already announced additional £1.79m for buses both this year and next year. Officers are working up proposals for this. However, I would stress that getting real value from such a significant allocation of an extra £5.8m in just one year on bus support will be difficult. There have been indications of further money following this, but until that is confirmed we face the situation of very short-term bus support and a potential cliff edge if future funding does not materialise.

Network North will also mean an additional £2.25m for highway maintenance this and next year. This will help with pressures we have in existing maintenance programmes and put us in a better position to deal with the winter pothole peak. I would remind members though that this funding will not stop our overall network deterioration and it is not until April 2025 onwards, when the Government has indicated a minimum uplift of £131m over a 9-year period for Leicestershire, that we would begin to slow the rate of deterioration and move towards improving the quality of our road network.

King’s Award for Voluntary Service 2023.

You may recall in my statement in July last year that the Lord Lieutenant asked me to inform you of then called Queen’s Award for Voluntary Service and for Members to encourage nominations within their Electoral Divisions. The Award is now called the King’s Award for Voluntary Service and the 2023 winners were announced on 14th November, the King’s birthday. I am pleased to inform you that the following five voluntary organisations within Leicestershire have been successful in receiving this prestigious award:

- **103TheEye**: a community run radio station which broadcasts 24/7 in Melton Mowbray. It is entirely volunteer run and is a pioneer in the community radio space. The station also runs training programmes for young people to learn about radio broadcasting.

- **Heartwize**: recognised for its efforts in increasing public awareness of the problem of out-of-hospital cardiac arrest. It also provides free CPR training programmes to businesses, schools and in the community, to ensure people have knowledge of CPR and use of AED (Automated External Defibrillators).

- Two groups from the Bosworth area were successful in this year’s awards. These are **Bosworth In Bloom** which provides stunning floral displays each year, while maintaining a respect for the local environment and **Market Bosworth Community Library,** a community hub providing library services, resources and activities to benefit the surrounding rural community.

- **Swannington Heritage Trust:** rewarded for its efforts in transforming and preserving five industrial sites, including the Hough Mill, a restored 1790s corn mill. The Trust is also recognised for its work in researching and archiving records and artefacts for future generations to learn about Leicestershire history.

I am sure members will wish to join with me in sending congratulations to all the organisations concerned. The Lord-Lieutenant will be presenting their awards next year.

Devolution

I last updated the Council in my Position Statement in September following a very helpful and constructive meeting and correspondence with Dehenna Davison MP, then the Levelling Up Minister. As she had requested, later that month I wrote together with the City Mayor and the Leader of Rutland Council to her successor as Minister, Jacob Young MP, to say that we would collectively pursue a devolution deal at level 2 of the Government’s framework and that mayoral devolution, also known as level 3, would not be pursued. The Council will be aware that agreement would have been required across the three Councils for mayoral devolution to be pursued and the Government required a joint response.

Towards the end of October we received a positive response from the Minister setting out the next steps towards a level 2 deal being concluded. The first step, which we are aware follows the process used elsewhere, is for a meeting between senior officers of the three Councils and DLUHC civil servants. Officers had to chase for a time and date but that meeting is scheduled for next week. The following step will involve the three Leaders and Members of Parliament.

I still get enquiries from members about what is the difference between a level 2 deal and a level 3 deal. The answer is in the ‘devolution framework’ published with the Levelling Up White Paper in February 2022. It has been circulated widely but a further copy is attached to this statement. Members may have seen reference to new level 4 devolution in the recent Autumn Statement but that would only be available to areas with a level 3 deal.

I would also clarify the restrictions on the County Council in seeking a devolution deal. Level 2 and level 3 deals are only available across what Government calls a ‘Functional Economic Area’ (FEA). It has been made absolutely clear since February 2022 that Government do not regard the County of Leicestershire on its own as a FEA. The County plus the City of Leicester, or the County and the City plus Rutland, are regarded as a FEA.

Before the Levelling Up White Paper was published we did apply at the Government’s invitation for what became known as level 3 deal for Leicestershire. The White Paper put an end to that. Therefore, if there is anyone who believes that after the White Paper we could have applied for a level 3 deal on our own, we could not – due to Government rules.

We are all aware that the Levelling Up Bill is now an Act and that other devolution deals have been announced. It is a pity that the Government’s announcements have not included Leicester, Leicestershire and Rutland, but that is not a matter for me. I will continue to keep the Council updated about progress on the deal.

Hinckley National Rail Freight Interchange Update

The Hinckley National Rail Freight Interchange planning application is now going through the examination stage which is due to close on 12th March 2024 following which a report will be produced by the Examiners and forwarded to the Secretary of State with a recommendation on how he should determine the planning application. A decision is anticipated Autumn 2024.

A week of hybrid issue specific hearings took place during the week commencing 30th October which has resulted in the Examiners publishing a 72-page list of questions requiring further information and clarification. Whilst the majority of questions are directed to the applicant, Tritax, some additional information is sought from the County Council around highways, the socio-economic effects of the development and the contents of the draft development consent order. The deadline for responding to these questions is 9th January 2024 following which a further hybrid issue specific hearing will be held on 24th January to discuss traffic, transport and noise.

Whilst the applicant has submitted a significant amount of additional information to the Examination, to date this has not addressed the concerns expressed by the

County Council to the proposed development nor altered our recommendation that the application should be refused.

Mr N. J. Rushton
Leader of the Council

Table 2.3 Devolution Framework

Level 3 – A single institution or County Council with a directly elected mayor (DEM), across a FEA or whole county area

Level 2 – A single institution or County Council without a DEM, across a FEA or whole county area

Level 1 – Local authorities working together across a FEA or whole county area e.g. through a joint committee

Function	Detail	L1	L2	L3
Strategic role in delivering services	Host for Government functions best delivered at a strategic level involving more than one local authority e.g. Local Nature Recovery Strategies	✓	✓	✓
	Opportunity to pool services at a strategic level	✓	✓	✓
	Opportunity to adopt innovative local proposals to deliver action on climate change and the UK's Net Zero targets	✓	✓	✓
Supporting local businesses	LEP functions including hosting strategic business voice		✓	✓
Local control of sustainable transport	Control of appropriate local transport functions e.g. local transport plans*		✓	✓
	Defined key route network*			✓
	Priority for new rail partnerships with Great British Railways – influencing local rail offer, e.g. services and stations			✓
	Ability to introduce bus franchising		✓	✓
	Consolidation of existing core local transport funding for local road maintenance and smaller upgrades into a multi-year integrated settlement			✓
Investment spending	UKSPF planning and delivery at a strategic level		✓	✓
	Long-term investment fund, with an agreed annual allocation			✓
Giving adults the skills for the labour market	Devolution of Adult Education functions and the core Adult Education Budget		✓	✓
	Providing input into Local Skills Improvement Plans		✓	✓
	Role in designing and delivering future contracted employment programmes			✓
Local control of infrastructure decisions	Ability to establish Mayoral Development Corporations (with consent of host local planning authority)			✓
	Devolution of locally-led brownfield funding			✓
	Strategic partnerships with Homes England across the Affordable Housing Programme and brownfield funding			✓
	Homes England compulsory purchase powers (held concurrently)		✓	✓
Keeping the public safe and healthy	Mayoral control of Police and Crime Commissioner (PCC) functions where boundaries align^			✓
	Clear defined role in local resilience*		✓	✓
	Where desired offer MCAs a duty for improving the public's health (concurrently with local authorities)			✓
Financing local initiatives for residents and business	Ability to introduce mayoral precepting on council tax*			✓
	Ability to introduce supplement on business rates (increases subject to ballot)			✓

** refers to functions which are only applicable to combined authorities*

^ refers to functions which are are currently only applicable to mayoral combined authorities

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REPORT OF THE CABINET

A. MEDIUM TERM FINANCIAL STRATEGY 2024/25 – 2027/28

Introduction

1. This report relates to the Cabinet's consideration of the 2024/25 to 2027/28 Medium Term Financial Strategy (MTFS) which has the following four main elements:-

- 2024/25 revenue budget;
- 2025/26, 2026/27 and 2027/28 provisional revenue budgets;
- 2024/25 – 2027/28 capital programme;
- Financial strategies and policies including the Capital Strategy, Investing in Leicestershire Programme Strategy, Risk Management Policy and Strategy, Earmarked Reserves Policy, Insurance Policy, Treasury Management and Annual Investment Strategy, and an Equality Impact Assessment.

Background

2. Attached is a report considered by the Cabinet on 9th February 2024 which reflects the changes to the budget since it was approved for consultation in December including the final Local Government Settlement. The MTFS will be updated and rolled forward each year at budget setting time.

3. The report considered by the Cabinet on 9th February also contains the following appendices:

Appendix A	2024/25 Revenue Budget
Appendix B	Four Year Revenue Budget 2024/25 to 2027/28
Appendix C	Growth and Savings 2024/25 to 2027/28
Appendix D	Savings under Development
Appendix E	Detailed Revenue Budgets 2024/25
Appendix F	Capital Programme 2024/25 to 2027/28
Appendix G	Capital Strategy
Appendix H	Investing in Leicestershire Programme Strategy
Appendix I	Risk Management Policy and Strategy
Appendix J	Earmarked Reserves Policy

Appendix K	Earmarked Reserves Forecasts
Appendix L	Insurance Policy
Appendix M	Council Tax and Precept
Appendix N	Treasury Management Strategy Statement and Annual Investment Strategy
Appendix O	MTFS Consultation Report
Appendix P	Equality Impact Assessment
Appendix Q	Comments of the Overview and Scrutiny Committees and Scrutiny Commission

<u>Consideration by Scrutiny Bodies and the Corporate Governance Committee</u>

4. As indicated above, the Cabinet's proposals were the subject of reports to Scrutiny bodies. The comments of these bodies are set out in Appendix Q to this report.

5. The Corporate Governance Committee at its meeting on 26th January approved the Risk Management, Insurance and Treasury Management Policies and Strategies which are set out in Appendices I, L and N.

<u>Consideration by the Cabinet</u>

6. On 9th February, the Cabinet considered the comments of the various Scrutiny bodies, the results of the consultations and other developments, including further funding announcements, since it published the draft budget in December 2023.

7. The Cabinet was advised that these developments did not change the key messages in the MTFS. The Council was still forecasting to use reserves to balance the budget next year and the gap between income and expenditure was still forecast to exceed £80m by the final year of the MTFS. The main change to the 2024/25 budget was the receipt of £5m of additional social care grant. The allocation was outside of the spending review so was assumed to be a one-off, although it had not been confirmed. However, the additional cash received and subsequent reduction in use of reserves would generate £200k of ongoing investment income. £100k of the investment income would be allocated to flood investigation scheme development work. The balance of

the investment income would be allocated to reduce the planned savings for the Recycling and Household Waste Site Service, subject to consultation.

8. The recommendations of the Cabinet to the County Council concerning the MTFS including the proposed changes to the Recycling and Household Waste Site Service are set out in the motion which appears below.

Motion to be moved

a) **That subject to the items below, approval be given to the Medium Term Financial Strategy (MTFS) which incorporates the recommended revenue budget for 2024/25 totalling £567.6m as set out in Appendices A, B and E of the report and includes the growth and savings for that year as set out in Appendix C;**

b) **That approval be given to the projected provisional revenue budgets for 2025/26, 2026/27 and 2027/28, set out in Appendix B to the report, including the growth and savings for those years as set out in Appendix C, allowing the undertaking of preliminary work, including business case development, engagement and equality and human rights impact assessments, as may be necessary to achieve the savings specified for those years including savings under development, set out in Appendix D;**

c) **That approval be given to the early achievement of savings that are included in the MTFS, as may be necessary, along with associated investment costs, subject to the Director of Corporate Resources agreeing to funding being available;**

d) **That the level of the general fund and earmarked reserves as set out in Appendix K be noted and the use of those earmarked reserves as indicated in that appendix be approved;**

e) **That the amounts of the County Council's Council Tax for each band of dwelling and the precept payable by each billing authority for 2024/25 be as set out in Appendix M (including 2% for the adult social care precept);**

f) **That the Chief Executive be authorised to issue the necessary precepts to billing authorities in accordance with the budget requirement above and the tax base notified by the District Councils, and to take any other action which may be necessary to give effect to the precepts;**

g) **That approval be given to the 2024/25 to 2027/28 capital programme, totalling £447m, as set out in Appendix F;**

h) **That the Director of Corporate Resources, following consultation with the Lead Member for Resources, be authorised to approve new capital schemes, including revenue costs associated with their delivery, shown as future developments in the capital programme, to be funded from funding available;**

i) That the financial indicators required under the Prudential Code included in Appendix N, Annex 2 be noted and that the following limits be approved:

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Operational boundary for external debt i) Borrowing ii) Other long term liabilities	 220 1	 219 1	 243 1	 273 1
TOTAL	221	220	244	274
Authorised limit for external debt i) Borrowing ii) Other long term liabilities	 230 1	 229 1	 253 1	 283 1
TOTAL	231	230	254	284

j) That the Director of Corporate Resources be authorised to effect movement within the authorised limit for external debt between borrowing and other long-term liabilities;

k) That the following borrowing limits be approved for the period 2024/25 to 2027/28:

(i) Maturity of borrowing:-

	Upper Limit	Lower Limit
	%	%
Under 12 months	30	0
12 months and within 24 months	30	0
24 months and within 5 years	50	0
5 years and within 10 years	70	0
10 years and above	100	25

(ii) An upper limit for principal sums invested for periods longer than 364 days is 20% of the portfolio.

l) That the Director of Corporate Resources be authorised to enter into such loans or undertake such arrangements as necessary to finance capital payments in 2024/25, subject to the prudential limits in Appendix N;

m) That the Treasury Management Strategy Statement and the Annual Investment Strategy for 2024/25, as set out in Appendix N, be approved including:

(i) The Treasury Management Policy Statement, Appendix N; Annex 4;

(ii) The Annual Statement of the Annual Minimum Revenue Provision as set out in Appendix N, Annex 1;

n) That the Capital Strategy (Appendix G), Investing in Leicestershire Programme Strategy (Appendix H), Risk Management Policy and Strategy (Appendix I), Earmarked Reserves Policy (Appendix J) and Insurance Policy (Appendix L) be approved;

o) That it be noted that the Leicester and Leicestershire Business Rate Pool will continue for 2024/25;

p) That the Director of Corporate Resources, following consultation with the Lead Member for Resources, be authorised to make any changes to the provisional MTFS which may be required as a result of changes arising between the Cabinet and County Council meetings, noting that any changes will be reported to the County Council on 21 February 2024;

q) That the Leicestershire School Funding Formula be subject to capping and scaling to continue to reflect the National Funding Formula for 2024/25;

r) That the Director of Children and Family Services, following consultation with the Lead Member for Children and Family Services, be authorised to agree the funding rates for early years providers for 2024/25;

s) That in light of the Council's financial position, the proposal to revise the Council's net zero targets for its own operations, from 2030 to 2035, and for the wider County, from 2045 to 2050, be approved;

t) That the proposed changes to the Recycling and Household Waste Site service as outlined at paragraph 37 of the report be noted, to be funded from the Service Investment budget, and subject to the outcome of further consultation.

9th February 2024 | **N. J. Rushton**
Leader of the Council

<u>Background Papers</u>

Report to the Cabinet 19 December 2023 – Provisional Medium Term Financial Strategy 2024-28 – Proposals for Consultation
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7081&Ver=4

Report to the County Council 22 February 2023: Medium Term Financial Strategy 2023-27
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=6913&Ver=4

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

Leicestershire County Council

CABINET – 9 FEBRUARY 2024

PROVISIONAL MEDIUM TERM FINANCIAL STRATEGY 2024/25 - 2027/28

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to present the County Council's proposed 2024/25 to 2027/28 Medium Term Financial Strategy (MTFS) for approval, following consideration of the draft MTFS by the Cabinet in December 2023 and the Overview and Scrutiny bodies in January and receipt of the provisional Local Government Finance Settlement.

Recommendations

2. That the following be recommended to the County Council:

   (a) That subject to the items below, approval be given to the Medium Term Financial Strategy (MTFS) which incorporates the recommended revenue budget for 2024/25 totalling £567.6m as set out in Appendices A, B and E of this report and includes the growth and savings for that year as set out in Appendix C;

   (b) That approval be given to the projected provisional revenue budgets for 2025/26, 2026/27 and 2027/28, set out in Appendix B to the report, including the growth and savings for those years as set out in Appendix C, allowing the undertaking of preliminary work, including business case development, engagement and equality and human rights impact assessments, as may be necessary to achieve the savings specified for those years including savings under development, set out in Appendix D;

   (c) That approval be given to the early achievement of savings that are included in the MTFS, as may be necessary, along with associated investment costs, subject to the Director of Corporate Resources agreeing to funding being available;

   (d) That the level of the general fund and earmarked reserves as set out in Appendix K be noted and the use of those earmarked reserves as indicated in that appendix be approved;

(e) That the amounts of the County Council's Council Tax for each band of dwelling and the precept payable by each billing authority for 2024/25 be as set out in Appendix M (including 2% for the adult social care precept);

(f) That the Chief Executive be authorised to issue the necessary precepts to billing authorities in accordance with the budget requirement above and the tax base notified by the District Councils, and to take any other action which may be necessary to give effect to the precepts;

(g) That approval be given to the 2024/25 to 2027/28 capital programme, totalling £447m, as set out in Appendix F;

(h) That the Director of Corporate Resources following consultation with the Lead Member for Resources be authorised to approve new capital schemes, including revenue costs associated with their delivery, shown as future developments in the capital programme, to be funded from funding available;

(i) That the financial indicators required under the Prudential Code included in Appendix N, Annex 2 be noted and that the following limits be approved:

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Operational boundary for external debt				
i) Borrowing	220	219	243	273
ii) Other long term liabilities	1	1	1	1
TOTAL	**221**	**220**	**244**	**274**
Authorised limit for external debt				
i) Borrowing	230	229	253	283
ii) Other long term liabilities	1	1	1	1
TOTAL	**231**	**230**	**254**	**284**

(j) That the Director of Corporate Resources be authorised to effect movement within the authorised limit for external debt between borrowing and other long-term liabilities;

(k) That the following borrowing limits be approved for the period 2024/25 to 2027/28:

(i) Maturity of borrowing:-

	Upper Limit	Lower Limit
	%	%
Under 12 months	30	0
12 months and within 24 months	30	0
24 months and within 5 years	50	0
5 years and within 10 years	70	0
10 years and above	100	25

(ii) An upper limit for principal sums invested for periods longer than 364 days is 20% of the portfolio.

(l) That the Director of Corporate Resources be authorised to enter into such loans or undertake such arrangements as necessary to finance capital payments in 2024/25, subject to the prudential limits in Appendix N;

(m) That the Treasury Management Strategy Statement and the Annual Investment Strategy for 2024/25, as set out in Appendix N, be approved including:

(i) The Treasury Management Policy Statement, Appendix N; Annex 4;
(ii) The Annual Statement of the Annual Minimum Revenue Provision as set out in Appendix N, Annex 1;

(n) That the Capital Strategy (Appendix G), Investing in Leicestershire Programme Strategy (Appendix H), Risk Management Policy and Strategy (Appendix I), Earmarked Reserves Policy (Appendix J) and Insurance Policy (Appendix L) be approved;

(o) That it be noted that the Leicester and Leicestershire Business Rate Pool will continue for 2024/25;

(p) That the Director of Corporate Resources following consultation with the Lead Member for Resources be authorised to make any changes to the provisional MTFS which may be required as a result of changes arising between the Cabinet and County Council meetings, noting that any changes will be reported to the County Council on 21 February 2024;

(q) That the Leicestershire School Funding Formula is subject to capping and scaling continues to reflect the National Funding Formula for 2024/25;

(r) That delegated authority be given to the Director of Children and Family Services following consultation with the Lead Member for Children and Family Services to agree the funding rates for early years providers;

(s) That in light of the Council's financial position, the proposal to revise the Council's net zero targets for its own operations, from 2030 to 2035, and for the wider County, from 2045 to 2050, be approved;

(t) That the proposed changes to the Recycling and Household Waste Site service as outlined at paragraph 37 be noted, to be funded from the Service Investment budget and subject to the outcome of further consultation;

(u) That delegated authority be given to the Director of Environment and Transport to carry out a further consultation on proposed changes to the Recycling and Household Waste sites as outlined at paragraph 37 below, with a further report to be submitted to the Cabinet on the outcome of the consultation.

Reasons for Recommendations

3. To enable the County Council to meet its statutory requirements with respect to setting a balanced budget and Council Tax precept for 2024/25, to allow efficient financial administration during 2024/25 and to provide a basis for the planning of services over the next four years.

4. To enable early work to be undertaken on the development of new savings to address the worsening financial position.

5. Applying capping and scaling to the Leicestershire School Funding Formula for 2024/25 will ensure the cost does not exceed the Schools Block Dedicated Schools Grant whilst continuing to fully reflect the National Funding Formula (NFF).

6. To enable rates to be set for early years providers for 2024/25. The delegation will enable the rates to be set for the providers.

7. To enable County Council to debate the proposal to extend the current net zero targets in light of the Council's financial position and to consider the impact on current environmental priorities, action plans and funding strategies.

Timetable for Decisions (including Scrutiny)

8. On 19 December 2023 the Cabinet agreed the proposed MTFS, including the 2024/25 revenue budget and 2024/25 to 2027/28 capital programme, for consultation. The Overview and Scrutiny Committees and the Scrutiny Commission then considered the proposals at their meetings in January 2024 (the comments of these bodies will be circulated separately).

9. The County Council meets on 21 February 2024 to consider the MTFS including the 2024/25 revenue budget and capital programme. This will enable the 2024/25 budget to be set before the statutory deadline of the end of February 2024.

Policy Framework and Previous Decisions

10. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council on 22 February 2023.

11. The County Council's Strategic Plan (agreed by the Council on 18 May 2022) summarises the Council's vision for Leicestershire through five strategic outcomes and a single line vision statement. The outcomes represent long-term aspirations for Leicestershire which may not be achieved in full during the four-year course of the Strategic Plan. Therefore, the Plan also includes specific aims for the Council to achieve by 2026 in order to progress towards each outcome. It also sets out some of the key actions which the Council will deliver to achieve these aims. The five outcomes are:

    - Clean, green future
    - Great communities

- Improving opportunities
- Strong economy, transport and infrastructure
- Keeping people safe and well

12. The MTFS, along with other plans and strategies such as the Transformation Programme, the Capital Strategy, the Treasury Management Strategy, the Corporate Asset Management Plan and the Risk Management Strategy, aligns with these aims and underpins the Strategic Plan's delivery.

13. The Cabinet at its meeting on 15 September 2023 noted the significant financial challenges faced by the Council and inter alia agreed the approach to updating the MTFS.

Legal Implications

14. The Director of Law and Governance has been consulted on this report.

15. The Council's Constitution provides that the budget setting is a function of the County Council which is required to consider the budget calculation in accordance with the provisions set out in Local Government Finance Act 1992. This requires that there be a calculation of the total of the expenditure the Council estimates it will incur in performing its functions and will charge to the revenue account for the year, such allowance as the Council estimates will be appropriate for contingencies and the financial reserves which the Council's estimates will be appropriate for meeting estimated future expenditure.

16. The Council is required to set a balanced budget each year following the processes set out in the Local Government Finance Act 1992. The Director of Corporate Resources as the Council's section 151 Officer has a number of duties relating the Council's financial administration and resilience including to report on the robustness of the Council's budget estimates and the adequacy of its reserves. There is a further duty to issue a formal report if the s151 Officer believes that the Council is unable to set or maintain a balanced budget. In addition, there is a requirement set out in the Local Government Act 2003 and relevant regulations[1] for the council when carrying out its duties to have regard to the Prudential Code for Capital Finance in Local Authorities.

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

18. The function of the County Council in setting its budget in due course will engage the public sector equality duty which is set out in the Equality Impact Assessment (EIA) section below. An overarching and cumulative impact assessment will be available for the County Council when it considers the budget; it is important to note that the duty does not arise at a fixed point in time but is live and enduring and decision makers are required to have 'due regard' to the duty at each stage

[1] Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

in the process' although it is recognised that it is at the point in time when plans are developed to reconfigure or reduce services that the assessment is key.

19. The County Council as a major precepting authority is required to consult representatives of business rate payers and details of the budget consultation are set out below. There is no statutory requirement to undertake a public consultation on the MTFS but it is important to bear in mind that decisions which flow from the MTFS in relation to a change of provision or service will require adequate and proper lawful consultation before any decision is made as well as an equalities assessment to comply with the Public Sector Equality duty as referred to above.

20. There is a requirement for the precept to be approved by the Council and notified to the billing authorities by no later than 1 March 2024.

Resource Implications

21. The MTFS is the key financial plan for the County Council. The County Council's financial position has been challenging for a number of years due to over a decade of austerity combined with significant growth in spending pressures, particularly from social care and special education needs. This was exacerbated by the impact of the Covid-19 pandemic and significant increases in inflation, to levels not seen for many decades.

22. The Autumn Statement announced in November 2023 provided very little information to the updated financial position reported to the Cabinet in September 2023 with the exception of the announcement of the National Living Wage rate to be applied from April 2024. The Department for Levelling Up, Housing and Communities (DLUHC) issued a Policy Paper on the 2024/25 Settlement on 5 December 2023 which confirmed many of the assumptions used in the drafting of the new MTFS. The Provisional 2024/25 Local Government Finance Settlement was issued on 18 December 2023.

23. The level of uncertainty in the MTFS continues to remain much higher than it was pre-Covid and the scale of the challenge faced to balance the MTFS by Year 4 is much more significant than has been the case in the past.

24. The current MTFS was balanced for Year 1 only, with a gap of £13m in year two rising to £88m in Year 4.

25. This revised MTFS for 2024-28 projects a gap of £6m in the first year that will need to be balanced by the use of earmarked reserves. There is then a gap of £33m in year two rising to £83m in Year 4.

26. Delivery of the MTFS requires savings of £164m to be made from 2024/25 to 2027/28, unless service demand reduces, or additional income is secured. This MTFS sets out in detail £81m of savings and proposed reviews that will identify further savings to reduce the £83m funding gap on the main revenue budget and the £111m estimated funding gap on High Needs in 2027/28. High Needs expenditure within the Government grant going forwards has (in recent years) exceeded grant to the extent that a cumulative deficit of £65m is forecast by the

end of the current financial year. Strong financial control, plans and discipline will be essential in the delivery of the MTFS.

27. To ensure that the MTFS is a credible financial plan, unavoidable cost pressures have been included as growth. By 2027/28 this represents an investment of £129m, primarily to meet the forecast increase in demand for social care. The MTFS also includes a £100m provision for pay and price inflation. The majority of these pressures are unavoidable due to the nationally set National Living Wage, which has a significant influence on social care contracts, pay awards and increases to running costs driven by the levels of inflation.

28. Balancing the budget is a continued and increasing challenge. With continual growth in service demand recent MTFS's have tended to show two-years of balanced budgets followed by two years of growing deficits. This approach balances the need for sufficient time to identify initiatives that will close the gap without cutting back services excessively. This MTFS only forecasts a balanced budget next year, after using £6.4m of earmarked reserves to meet the gap, but the following three years are all in deficit.

29. It is concerning that the MTFS still shows considerable budget gaps, especially in 2025/26. To have a realistic chance of maintaining a sustainable budget position the County Council will need to identify mitigations that allow the 2025/26 position to be significantly improved. This includes a reinforcement of existing financial control measures and the introduction of new ones to ensure a tight focus on eliminating non-essential spend.

30. Reserves are only a short-term solution and the Council will need to ensure it has identified and can deliver adequate savings and growth mitigation plans from 2025/26. A heightened focus on the County Council's finances continues to be required whilst this situation remains.

31. The draft four-year capital programme totals £447m. This includes investment for services, road and school infrastructure arising from housing growth in Leicestershire, social care accommodation and essential ICT and Property capital schemes. Capital funding available totals £354m, with the balance of £93m being temporarily funded from the County Council's internal cash balances, with external borrowing potentially being required in future years.

32. In the Autumn Statement the Chancellor set out a range of measures designed to stimulate economic growth. He was only able to do this by extending the restrictions on public service spending. Although the headlines show that expenditure will increase faster than inflation unprotected departments in England, of which local government is one, face an annual 3.4% real terms reduction. The decision over where the cuts will fall is likely to be left to the next Parliament. If economic growth does not improve there will be difficult decisions, both nationally and locally, about what services will be scaled back.

33. To deal with the challenges that the County Council has faced in recent years, as the lowest funded County Council, a proactive approach has been required. Given the heightened uncertainty the more important it is that the County Council keeps this focus.

Circulation under the Local Issues Alert Procedure

34. This report has been circulated to all Members of the County Council.

Officers to Contact

Declan Keegan, Director of Corporate Resources,
Corporate Resources Department,
☎0116 305 7668 E-mail Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director (Finance, Strategic Property and Commissioning),
Corporate Resources Department,
☎0116 305 7066 E-mail Simone.Hines@leics.gov.uk

PART B

Changes to the draft Budget proposed in December 2023

35. The report on the draft MTFS taken to the Cabinet on the 19 December provided a lot of detail on the Chancellor's statement, the national financial context, the local government financial settlement and expected service and funding reforms. That detail is not repeated in this report. Instead it focuses on what has changed since then. These changes are summarised in the table below:

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Shortfall at 19 December 2023	11.9	33.3	60.4	84.5
Funding changes				
New Homes Bonus Grant	-0.2	0.0	0.0	0.0
Social Care Grants	-5.4	-0.4	-0.4	-0.4
Services Grant	1.1	0.7	0.0	0.0
Council Tax Base	-0.2	-0.2	-0.2	-0.2
Council Tax Collection Funds (latest estimate)	0.5	0.5	0.5	0.5
Other Changes				
Growth	2.0	2.0	2.0	2.0
Additional savings	-2.3	-2.7	-2.7	-3.5
Contribution to General Fund	-1.0	0.0	0.0	0.0
Additional bank & other interest	-0.2	-0.2	-0.2	-0.2
Service Investment Fund	0.2	0.2	0.2	0.2
Contribution from Reserves (to balance 24/25)	-6.4	0.0	0.0	0.0
Revised Shortfalls	**0.0**	**33.2**	**59.6**	**82.9**

36. The changes are as detailed below:

- New Homes Bonus (-£0.2m) updated estimate per the 2024/25 provisional settlement, which includes -£1.0m compared with -£0.8m anticipated in the draft MTFS.

- Social Care Grants (-£0.4m) increased allocation in the provisional settlement, which includes -£38.7m compared with -£38.3m anticipated in the draft MTFS. The Government announced a further national allocation of £500m on 24 January 2024 of which it is estimated that the County Council will receive £5m. It is assumed that this will be one-off funding in 2024/25. Actual allocations of this funding will not be confirmed until the final settlement is announced expected in early February.

- Services Grant (£1.1m). The Settlement only includes -£0.4m for this grant, compared with -£1.5m anticipated in the draft MTFS for 2024/25. The assumption that the grant could reduce to -£0.8m in 2025/26 has been revised to £0m.

- Council tax bases for 2024/25 provided by the district councils are 0.04% higher than previously anticipated, leading to a -£0.2m increase in income.

- Council tax collection fund estimates for 2023/24 have now been received from the billing authorities and are £0.5m lower than the previous estimate.

- Additional growth of £2.0m has been included following a steep increase in the projected overspend in 2023/24 on the Unaccompanied Asylum Seeking Children budget.

- Further savings of £2.3m in 2024/25, rising to £3.5m by 2027/28, have been included in the updated MTFS. These are included in Appendix C and have been confirmed as achievable by the relevant Director. The most significant additional saving is the earlier delivery of savings under the Defining Children and Family Services for the Future programme. Other savings largely relate to operational efficiencies and increased income generation.

- Additional Bank and Other Interest of £0.2m is anticipated due the reduction in the need to use reserves to offset the budget gap in 2024/25, following the announcement on 24 January 2024 of additional Social Care grant funding.

- It is proposed that the additional interest income be used to provide a Service Investment Fund and the proposed use of this fund is outlined further at paragraph 37 below.

- A planned £1m contribution to the General Fund in 2024/25 has been removed, as unallocated amounts on several earmarked reserves will be reallocated to the General Fund in the 2023/24 final accounts.

- The remaining budget gap of £6.4m in 2024/25 will be funded by a contribution from the Budget Equalisation earmarked reserve, to enable the Council to meet its legal duty to set a balanced budget for 2024/25 following the processes set out in the Local Government Finance Act 1992. The amount to be funded from reserves is subject to change if the £5m estimate of additional Social Care grant differs from the final settlement announcement.

37. It is proposed that the Service Investment Fund noted above is used as follows, subject to appropriate consultation being undertaken:

    - £0.1m to be used to reduce the planned saving in the Recycling and Household Waste Sites service. A 12-week public consultation has just closed in relation to a revised operating model, including the closure of three sites. After initial consideration of the consultation feedback, the revised proposed operating model would look to continue with the majority of the proposals consulted on but retain the Shepshed RHWS and Market Harborough RHWS with revised opening hours – two days a week for Shepshed and three days a week for Market Harborough. It is also proposed that the opening hours for Kibworth are changed to four days per week. As the previous consultation did not include any changes to

Kibworth, a further consultation will need to be carried out and feedback considered before a final decision can be made.

- £0.1m to be used for flood investigation and scheme development work to address flooding as well as bidding for funding for project delivery. It will also provide capacity to administer Government flood-related grant funding.

38. Whilst the additional social care funding announced on 24 January is welcome, it is important to note that the Council still requires the use of reserves to balance the budget in 2024/25, albeit to a lower level. As the funding is assumed to be one-off, it does not improve the medium-term position, which is still a funding gap in excess of £80m by 2027/28. Any conditions on the new funding are not known at this stage.

39. Whilst not explicit in either the Autumn Statement or provisional settlement, the government has not indicated that there will be any further funding allocations for the Household Support Fund. This is a government scheme that the Council has administered since 2022 to support Leicestershire residents during the Cost of Living crisis. In 2023/24 the Council has received £7.24m which has supported eligible residents with food and fuel vouchers as well as provided Free School Meals during school holidays for eligible children.

Final Local Government Settlement

40. The final Local Government Settlement has not yet been received and is due in early February 2024. Any significant changes will be reported to the Cabinet.

Spending Power

41. The Government uses a measure of core spending power in assessing an authority's financial position. The County Council's historic annual core spending power from the 2024/25 Settlement is shown below. The key thing to note is that over this period Revenue Support Grant (RSG) had disappeared completely by 2019/20 compared to a figure of £56m in 2015/16 (in 2013/14 RSG was £81m).

42. In compensation for these reductions, additional specific funding streams have increased. Although a degree of certainty would be expected from having no RSG, Government previously raise the possibility of "negative RSG".

	15/16 £m		20/21 £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m	Updated[4] 24/25 £m
Settlement Funding Assessment: RSG	56.2		0.0	0.0	0.0	0.0	0.0	0.0
Settlement Funding: Business Rates	60.5		64.4	65.1	68.2	75.1	80.0	80.0
Council Tax	233.4		319.3	336.9	351.6	374.2	397.8	397.8
Improved BCF[1]	0.0		17.2	17.2	17.7	17.7	17.7	17.7
New Homes Bonus	3.3		3.7	2.6	2.1	1.2	1.0	1.0
Transition Grant	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Adult Social Care Support Grant	0.0		0.0	0.0	0.0	0.0	0.0	0.0

Winter Pressures Grant[2]	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Social Care Grant	0.0		13.0	14.2	19.9	33.2	38.7	43.7
Market Sustainability	0.0		0.0	0.0	1.6	5.7	10.6	10.6
ASC Discharge Fund	0.0		0.0	0.0	0.0	2.5	4.1	4.1
Services Grant	0.0		0.0	0.0	4.3	2.5	0.4	0.4
Grants rolled in[3]	1.0		1.2	1.2	1.2	3.7	0.0	0.0
Core Spending Power	354.4		418.8	437.2	466.6	515.8	550.3	555.3

[1] includes one-off Social Care Grant announced in the Budget 2017, and Winter Pressures Grant of £2.4m added from 2020/21.
[2] grant shown as part of iBCF from 2020/21.
[3] £3.7m in 23/24 relates to a second tranche of Market Sustainability grant, which is rolled into that grant line in 24/25.
[4] includes £5m increase in social care grant

43. The table shows that ‘core spending power’ increased in cash terms by £200m (57%) from 2015/16 to 2024/25. However, most of that increase relates to Council Tax which has increased by £164m (a 70% increase), while Business Rates show a 32% increase and Government grant only 20%. With inflation historically running at circa 3% each year, and rising above 10% in 2022/23 and averaging above 6% so far in 2023/24, the overall 55% increase represents a relatively small real terms increase but provides little allowance for increasing populations, the above inflation increases to the National Living Wage and the significant increasing service demands local authorities are facing especially around social care services. This is particularly difficult for Leicestershire which continues to be an area of one of the fastest growing populations nationally.

44. Moreover, the Core Spending Power (CSP) measure assumes councils increase council tax by the maximum amount permitted, including raising the full adult social care precept. Whilst the County Council has always done this since the adult social care precept was introduced, it is mindful that in doing so it has raised council tax above inflation in some years.

45. The inherent problem with the current Government methodology to setting funding is that it takes no account of the relative funding position of individual authorities.

46. Given annual Government announcements on funding, there are still significant risks due to the uncertainty of future funding levels.

Business Rates

47. The two main components of the business rates retention scheme income received by the County Council are the “baseline” and “top up” amounts. The baseline is the County Council’s share (9%) of business rates generated locally and the top-up is allocated to the County Council to compensate for the small baseline allocation.

48. When Government makes changes to the national Business Rate Scheme compensation for funding losses are made through a series of grants, referred to as Section 31 grants.

49. The proposed MTFS includes an assumption that the total of the baseline, top up and Section 31 grant elements will be increased by 6.7% in 2024/25, in line with the CPI in September 2023, and that the increase will be mainly received in the form of additional Section 31 grant from the Government, as the Chancellor of the Exchequer has frozen the "poundage" charged to "small" businesses for 2024/25 at 2023/24 levels and has also extended reliefs to some sectors of the economy.

50. The Government had indicated its intention for a full reset of baselines in 2020/21 but this was postponed until 2021/22 and, due to the pandemic was deferred again until 2022/23. The Local Government Finance Settlement in December 2022 has confirmed that the reset will be deferred again until at least 2025/26. When the reset does take place it will result in councils losing their share of accumulated growth. For the County Council this is projected to amount to around £10m per annum, and the income to the Leicester and Leicestershire Business Rates Pool (of which the County Council would receive around a third, subject to agreement of the Pool members) would reduce by circa £20m.

51. The Government introduced the Business Rates Retention System from April 2013 and as part of these changes Local Authorities were able to enter into Pools for levy and safety net purposes. Net surpluses are retained locally rather than being returned to the Government as would have been the case if no Pool had existed. The current pooling agreement allows for the surplus to be shared between the County Council, Leicester City Council and the seven district councils. An estimate of £6.5m has been included in 2024/25 for the County Council's share of that year's levies, which is shown as a contribution to the Budget Equalisation reserve.

52. In total £74m has been retained in Leicestershire between 2013/14 and 2022/23, due to the success of the Business Rates Pool, with a further potential surplus for the pool of £18.6m forecast in 2023/24.

53. The partners decided in January 2024 to continue with the Pool in 2024/25. Due to the level of accumulated surplus, continued pooling in 2024/25 is expected to remain beneficial compared to not being in a pool, despite the wider economic challenges.

Council Tax

54. The Localism Act 2011 provides for referendums on any proposed increase in Council Tax which is defined as excessive (using definitions prescribed by central Government) which effectively gives a power of veto. A cap on the core increase of 3% is permitted for County Councils for 2024/25. In addition, the Councils will be permitted to raise an additional 2% to fund adult social care (the adult social care precept).

55. The most financially significant decision of any budget is usually the level that Council Tax will be increased by. This is not just a consideration for the current year, it affects the level of income available ad infinitum. Every 1% Council Tax is increased by is worth £3.7m to the County Council. The 2024/25 draft budget

assumes a 4.99% increase, which would cost each household in a band D property the following:

Council Tax (Band D Property)	Main (Core)	ASC Precept	Total
Increase	2.99%	2.00%	4.99%
Cost Per Week	£0.88	£0.58	£1.46

56. This contributes significantly towards achieving a balanced budget. If this increase were not taken more service cuts would be the inevitable consequence. A recent survey by the County Council Network indicated that nine out of ten County Councils were planning to increase Council Tax by 4.99%.

57. The draft MTFS is based on a Council Tax increase of 4.99% in 2025/26 also but reducing to 2.99% in each subsequent year. Subject to Government announcements there may be scope to raise additional amounts for both the core Council Tax and for the Adult Social Care precept in the subsequent years, but that would need to be assessed by the Council in light of the revised position in each refresh of the MTFS in future years.

58. Council Tax base growth in 2024/25 of 1.3% is higher than anticipated in the current MTFS and the draft MTFS assumes increases of 1.5% in subsequent years.

59. Collection fund forecasts have been received from the district councils in January 2024 and show a reduction of £0.5m from the £2.4m net surplus included in the draft MTFS reported to the Cabinet in December 2023.

Budget Consultation

60. The County Council had undertaken its annual consultation on the draft budget. The consultation period ran from 19 December 2023 until 17 January 2024 and asked for view on the planned savings and growth included in the draft budgets as well as on the level by which council tax should be increased. A detailed report on the consultation outcome is attached as Appendix O.

61. Of those that expressed a preference on the Council’s proposed growth and savings programme, the majority were supportive of the approach taken.

62. With respect to Council Tax, 52% of responses supported an increase of 3% or higher for the core element and 46% supported an increase in the adult social care precept element of 2% or higher.

63. There continued to be strong support for the Council continuing with its fair funding campaign to lobby Government to review the way funding is distributed between councils.

<u>2024/25 - 2027/28 Budget</u>

64. The 2024/25 budget is detailed in Appendix A. The detailed four-year MTFS is set out in Appendix B and is summarised in the table below.

Provisional Budget	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**
Services including inflation	518.8	571.9	610.0	649.7
Add growth	48.3	27.0	27.0	27.0
Less savings	-14.1	-10.3	-9.2	-5.7
	553.0	588.6	627.8	671.0
Central Items	5.9	12.6	16.3	18.1
Add growth	0.2	0.0	0.0	0.0
Less savings	-0.1	0.0	0.0	0.0
	559.0	601.2	644.1	689.1
Contributions to:				
Earmarked reserves	15.0	8.1	7.4	7.2
General Fund	0.0	1.0	1.0	1.0
Contribution from Budget Equalisation reserve (to balance 24/25)	-6.4	0.0	0.0	0.0
Total Spending	**567.6**	**610.3**	**652.5**	**697.3**
Funding				
Business Rates	-97.9	-89.2	-85.7	-87.1
Council Tax	-399.8	-424.5	-443.8	-463.9
Central Grants	-69.9	-63.4	-63.4	-63.4
Total Funding	**-567.6**	**-577.1**	**-592.9**	**-614.4**
Shortfall	**0.0**	**33.2**	**59.6**	**82.9**

65. The MTFS shows a <u>shortfall of £6.4m in 2024/25</u>, which will need to be met by a transfer from the Budget Equalisation earmarked reserve. The forecast above includes estimated additional income of £5m from the Ministerial Statement on 24th January, setting out £600m additional funding for Local Government. Actual allocations per authority will not be known until the final settlement is announced in early February, neither have potential conditions been advised. Before this additional funding the shortfall to fund from reserves was £11.4m. There are shortfalls of £33m in 2025/26 rising to £83m in 2027/28. As set out in the following section there is a range of initiatives currently being developed that will aim to bridge the gap.

66. The Council maintains a range of earmarked reserves which are held to cover identified risks or for specific future projects. The Budget Equalisation reserve is held as contingency for the risks and uncertainties in the MTFS and to smooth the impact of budget gaps across the Strategy. After accounting for the £6.4m

required for the 2024/25 gap, this reserve does not have a sufficient balance to fund the gap currently forecast for 2025/26 and so urgent attention will need to be given to identifying further savings or income generation opportunities that can be delivered from 2025/26 onwards.

Savings and Transformation

67. The Council is not optimistic that additional government funding may be made available to reduce the gaps outlined in the previous paragraph, so it is clear that significant additional savings will still be required on top of the £39m that have been identified, £14m of which are to be made in 2024/25.

68. This is a challenging task, especially given that savings of £262m have already been delivered over the last fourteen years. This was initially driven by the real terms reduction in Government grants, which is in excess of £100m since 2010. In recent years, service demand pressures have become the main driver.

69. The identified savings are shown in Appendix C. The main proposed four-year savings are:

- Children and Family Services (£15.9m). This includes savings of £6.0m from smarter procurement and contract re-negotiations on social care placements, £3.1m from reduced care costs through growth of internal family-based placements, £2.6m from the second phase of the Defining Children and Family Services for the future programme and £2.3m from the innovation partnership.
- Adults and Communities (£14.0m). This includes £4.0m from increased Better Care Fund income, £3.3m from implementation of digital assistive technology to service users and £1.3m from improving outcomes from the Homecare Assessment and Reablement Team and Community Response Service.
- Public Health (£0.9m) from the review and redesign of several service areas.
- Environment and Transport (£4.6m). Savings include £1.2m from the assisted transport programme review and £0.7m from extended producer responsibility for packaging.
- Chief Executive’s Department (£0.4m). This includes savings from reviews of several service areas and additional income.
- Corporate Resources (£3.5m). This includes savings of £1.0m from ICT efficiencies, £0.8m from the ways of working office programme and £0.6m from the customer and digital programme.

70. Of the £39m identified savings, efficiency savings account for £36m, and can be grouped into three main types:

a) Service re-design and delivery (£17m)
b) Better commissioning and procurement (£12m)
c) Other efficiencies (£1m)
d) Additional income (£6m)

71. Further savings or additional funding will be required to close the budget shortfall of £33m in 2025/26 rising to £83m in 2027/28.

72. It is estimated that the overall savings requirement would lead to a reduction of around 200 posts (full time equivalents) over the four-year period. However, it is expected that the number of compulsory redundancies will be much lower, given the scope to manage the position over the period through staff turnover and vacancy control. Demand management in the Council's social care services will be critical to achieving a balanced MTFS and may help minimise the impact on employees.

Closing the budget gap over the medium term

73. It is clear that the Council faces a significant financial challenge, as with many other local authorities, and urgent attention will need to be paid to identifying further savings or income generation options to close the gap over the medium term. Whilst reserves have been used to close the budget shortfall for 2024/25, this is only a short-term measure and it with a growing financial gap in future years this is not a sustainable approach to balancing the budget.

74. The Council's strategic change portfolio currently encompasses more than 150 change initiatives, projects and programmes of varying size, scale, and complexity. These initiatives collectively contribute to meeting the savings targets outlined in the existing MTFS but will need to go further, identifying, designing and implementing additional opportunities for change.

75. To help bridge the gap several initiatives are being investigated to generate further savings and these are being prioritised to ensure that Council resources are focused on the initiatives that will have the greatest impact. The activity already underway can be broadly categorised as:
    - Progressing significant cross cutting initiatives – Sustainable Support Services, Prevention, Customer Programme and the Data Strategy
    - Savings Under Development (outlined below)
    - Focus on demand management – given that a significant proportion of growth in the MTFS comes from increase demand for services, ways to reduce that demand in the future will be pivotal
    - Income generation
    - Spend Controls Phase 1 – escalated operational controls to ensure robust financial management

76. Outlines of the Savings Under Development have been included as Appendix D. Once business cases have been completed and appropriate consultation and assessment processes undertaken, savings will be confirmed and included in a future MTFS. This is not a definitive list of all potential savings over the next four years, just the current ideas being developed.

77. The development and ultimate achievement of these savings was already challenging, following more than a decade of austerity, which has now been exacerbated by impact of inflation on the Council's finances. It is unlikely that the

Savings Under Development at Appendix D will be sufficient to close the current forecast gap of £83m even if they are all achieved to their maximum potential.

78. It is expected that the strategy to close the budget gap and ensure the Council remains financially sustainable will need to focus on the following activity:

- Service Redesign and review of policies to focus on essential spend
- Reassessing Council priorities, looking at how the Council can react and adapt to the Government's vision for a smaller public sector, as set out in the Autumn Statement in November 2023.
- Effective procurement, a root and branch review of how the Council spends its money and efficiency expectations on suppliers of goods and services.
- Spend Controls – further escalations to tighten corporate oversight on spending
- Work with partners to ensure service responsibilities and funding are aligned

79. There are some specific actions that will be undertaken in the Spring of 2024 to move forward delivery of the MTFS. These include:
- Review of the Council's Strategic Plan Outcomes
- Agree realistic savings targets for the cross-cutting workstreams set out above
- Complete the prioritisation of the Transformation Programme and develop a rolling 3-year programme with a clear resource plan.
- Redesign the oversight process to ensure effective challenge of the MTFS process and Directorate spending plans is in place
- Implement a Corporate Fees and Charges framework and cost recovery policy to ensure the Council is maximising income
- Fundamental review of the Capital Programme and financing strategy
- Robust control of external cost drivers

80. As mentioned above, several substantial cross-cutting change programmes are in progress to enhance the efficiency of the Authority. The Prevention Review programme involves a systemic examination of prevention activities undertaken across the Authority and its partners, aiming to reduce unnecessary expenditures and alleviate demand on higher-cost services. The Customer programme focuses on streamlining and modernizing customer contact through automation and technology. The Sustainable Support Services Programme will ensure the optimal allocation of internal support resources and processes to enhance compliance and reduce costs. The Council is also fully embedding the Ways of Working programme, striking the right balance between home, office, and remote working. This initiative will maximise the utilisation of council property and technology to drive improvements in productivity and efficiency and cost.

81. There will need to be a renewed focus on these programmes during the next few months to ensure that savings are identified and delivered to support the 2025/26 budget gap. Given the scale of the financial challenge, focus will be needed to prioritise resources on the change initiatives that will have the greatest impact, and work is already underway to do this.

82. The MTFS also includes the Transforming SEND and Inclusion in Leicestershire (TSIL) Programme which is reducing the rate of cost growth through increase local provision of places, practice improvements and demand reduction initiatives. The aim of the programme is to ensure that the expenditure can be contained within the allocation through the Dedicated Schools Grant. Savings of £41.5m are planned over the MTFS period.

83. Despite these savings, the High Needs Block deficit continues to grow and is an increasing concern, additional mitigations will need to be identified. Further details are provided in the Dedicated Schools Grants section of the report below.

Net Zero

84. When the Council made its net zero commitments it was expected that progress would be aided by Government grants, legislative changes, and improvements in technology. Whilst this is happening, and there have been some notable successes for the County Council, the Government signalled a shift in priority for this agenda with several recent announcements. Forecasts for the national finances, in the next parliament, show a savings requirement for unprotected departments, which includes Local Government. Regardless of the outcome of any national election, there is greater likelihood that significant grant funding required to support a transition to net zero before the national 2050 target will not be forthcoming. The Council's financial position does not allow it to make up for the shortfall in national support.

85. In light of the varied Government statements on environment in recent months, as well as the Council's unprecedented financial challenges, consideration is being given to revising the Council's net zero targets for its own operations, from 2030 to 2035, and for the wider County, from 2045 to 2050. Subject to Cabinet and County Council approval of revised net zero commitments, it may be necessary to reconsider the Council's environmental priorities, including the Net Zero Strategy and Action Plan and provide a credible plan to deliver on the revised targets within the limited resources available for this agenda.

Financial Control Measures

86. Given the increasingly challenging financial outlook there is a need to ensure that financial controls are tightly operated and additional measures introduced to restrict expenditure.

87. In particular the areas of focus are on:
    - Recruitment
    - Use of Agency staff
    - Overtime
    - Mobile phones
    - Procurement
    - Grant funding
    - A range of other non-essential spend including use of consultants, advertising and promotions, conferences, travel/subsistence and levels of stock holdings

88. Reviews will be undertaken within these areas to identify where spend can be reduced and stopped. Also new approvals around areas such as recruitment and procurement will be required to be signed off by Departmental Directors and/or approved by corporate oversight boards.

89. These controls will be kept under review and consideration will be given to stepping them up or down as required, subject to the Council's financial position and expected reliance on reserves. These are largely operational controls which are likely to provide some low-level, short term support for the Council's financial position but may also assist in identifying longer term savings options.

Growth

90. Over the period of the MTFS, growth of £129m is required to meet demand and service pressures with £48m required in 2024/25. The main elements of growth are:

- Children and Family Services (£43.3m). This is mainly due to £39.8m for pressures on the Social Care placements budget arising from increased numbers of Looked After Children, predominantly unaccompanied asylum seeking children, alongside significant increases in cost of placements for children looked after and care leavers.
- Adult Social Care (£46.0m). This is largely the result of an ageing population with increasing care needs and increasing numbers of people with learning disabilities.
- Environment and Transport (£11.0m). This mainly relates to increased service user numbers and costs for Special Educational Needs (SEN) transport.
- Corporate Growth (£28.7m). This has been included to act as a contingency for potential further cost pressures in the later years of the MTFS. The amount has been set based upon historic levels of growth incurred. The contingency reflects that it is not possible to specifically identify all of the growth before the first year of a four-year MTFS.

91. Details of proposed growth to meet spending pressures are shown in Appendix C.

Inflation

92. The Government's preferred measure of inflation is the CPI. In December 2023 this was 4.0%. The Office for Budget Responsibility (OBR) expects inflation to fall over 2024 to 3.6% at the end of that year and to fall below the 2% target by the end of 2025.

93. However, the Council's cost base does not always reflect CPI. Energy and fuel increases, for example, have a much more significant impact. It is also anticipated that a significant element of the inflation being seen in 2023 will not impact on the Council's costs until 2024 due to factors such as contract renewal lagging behind headline inflation rates and forward purchasing of energy. The draft MTFS therefore assumes 4.5% inflation in 2024/25 and 3% per annum in later years.

94. The impact of the National Living Wage (NLW) is particularly significant. The NLW will rise from £10.42 to £11.44 in April 2024, an increase of 9.8%. In recent years social care costs have been driven up by its continued increases, for which an additional provision has been made. The NLW also has a significant impact on the Council's pay costs.

95. The main local government pay awards in 2023/24 have been based on full-time staff receiving an increase of £1,925 up to Grade 13. In addition, the first Grade has been assimilated to the first point of the next Grade, equating to a 10.4% increase for those staff on the first Grade. Staff on Grades 14 to 17 have received an increase of 3.88% and those on Grades 18 and above have received 3.5%. The average across the whole pay scale is around 6.2%. The MTFS provides for an estimated average pay award increase of 6.0% in 2024/25, with higher percentage increases in lower grades, as in the 2023/24 pay award. The forecast has been increased following the announcement of the National Living Wage level from April 2024. The MTFS assumes average increases of 3.5% in 2025/26 and later years.

96. The latest Leicestershire Local Government Pension Scheme (LGPS) triennial actuarial assessment indicates that there is not a requirement to increase the employer contribution rate in subsequent years. The position will be reviewed in future MTFS refresh exercises.

97. Detailed service budgets for 2024/25 are compiled on the basis of no pay or price increases. A central contingency for inflation is to be held, which will be allocated to services as necessary.

Central Items

98. Capital financing costs are budgeted at £17.4m in 2024/25 and £17.1m in 2025/26 and are then expected to rise to £17.8m in 2026/27 and £18.6m in 2027/28, as a result of the increasing financing requirement for the capital programme.

99. Interest income relating to Treasury Management investments is budgeted at £14.2m in 2024/25 and is estimated to reduce to £3.2m by 2027/28 as balances are reduced to fund internal borrowing for the capital programme and interest rates are expected to fall.

100. Central grant income in the 2023/24 budget totalled £55.5m. The projected total of £69.8m in 2024/25 reflects the following changes:

- £10.5m additional Social Care Grant
- £2.9m additional Market Sustainability and Improvement Fund (MSIF) grant announced alongside the 2023 Local Government Settlement
- £2.1m from the Workforce Fund (part of MSIF)
- £1.2m Independent Living Fund grant from Adults and Communities
- (£2.1m) reduction to the Services Grant
- (£0.3m) reduction to the New Homes Bonus Grant

Health and Social Care Integration

Better Care Fund (BCF)

101. The importance of the Better Care Fund was detailed in the December Cabinet report. The value of BCF funding for Leicestershire is shown in the table below:

	2023/24 £m	2024/25 £m	
NHS Minimum Allocation	48.8	51.5	Level mandated by NHS England
Discharge Fund	4.8	8.5	Allocated to both ICBs and local authorities to support safe and timely discharge from hospitals
IBCF	17.7	17.7	Allocated to local authorities, specifically to meet social care need and assist with alleviating pressures on the NHS, with emphasis on improving hospital discharge, and stabilising the social care provider market.
Disabled Facilities Grant	4.8	4.8	Passed to district councils
Total BCF Plan	**76.1**	**82.5**	

102. In 2024/25, £22.9m of the NHS minimum allocation into the BCF will be used to sustain adult social care services. The national conditions of the BCF require a certain level of expenditure to be allocated for this purpose. This funding has been crucial in ensuring the Council can maintain a balanced budget, while ensuring that some of its most vulnerable users are protected; unnecessary hospital admissions are avoided; and the good performance on delayed transfers of care from hospital is maintained.

103. In addition to the required level of funding for sustaining social care service provision, in 2024/25 a further £7.9m of Leicestershire's BCF funding has been allocated for social care commissioned services. These services are aimed at improving carers' health and wellbeing, safeguarding, mental health discharge, dementia support and crisis response.

104. The balance of the NHS Minimum Allocation £20.7m is allocated for NHS commissioned out-of-hospital services. The County Council commissions community care services on behalf of the NHS through shared care and joint funding arrangements. The Council is reviewing these arrangements alongside the provision of Continuing Health care and Funded Nursing care to ensure residents are receiving optimal care and it is funded appropriately.

105. Any reduction in the funding for social care from the BCF would place additional pressure on the Council's MTFS, and without this funding there is a real risk that the Council would not be able to manage demand or take forward the wider integration agenda.

Other Grants and Funds

106. There are a number of other specific grants included in the MTFS, some of which are still to be announced for 2024/25, for example:

- Public Health – the 2024/25 indicative allocation is £27.4m.
- Pupil Premium – estimated £5.6m.
- Education & Skills Funding Agency – estimated £5.2m.
- Universal Infant Free School Meals – estimated £2.5m.
- Music Education Hubs Grants – estimated £1.5m.
- Supporting Families Grant – estimated £1.4m.
- Section 31 Business Rates (Government funding for caps on business rates growth and other Government measures) – estimate of £16.7m.
- New Homes Bonus – £1.0m for 2024/25.
- Network North (Bus improvement) - £4.1m.
- Bus Service Improvement Plan (BSIP+) £1.8m.

Dedicated Schools Grant Settlement 2024/25

107. For 2024/25 the Dedicated Schools Grant (DSG) remains calculated in separate blocks as set out below:

DSG Funding Block	**£m**
Schools Block – National Funding Formula	518.5
Schools Block – School Revenue Growth	2.8
Central School Services	3.9
High Needs (Provisional)	108.4
Early Years (Provisional)	63.2
Total	**696.8**

108. The 2024/25 MTFS continues to set the overall Schools Budget as a net nil budget at local authority level. However, as at 31 March 2024 there is a cumulative forecast funding gap of £49m on the High Needs Block which will be carried forward as an overspend against the grant.

Schools Block

109. School funding remains delivered by the National Funding Formula (NFF) which funds all pupils at the same rate irrespective of the authority in which they are educated. The NFF uses pupil characteristics each with a nationally set funding rate to generate school level funding to local authorities. Within the NFF only the per pupil entitlement is universal to all. Other factors reflect the incidence of additional needs such as deprivation and low prior attainment. Funding levels between local authorities and individual schools within those local authorities vary as a result of pupil characteristics rather than national funding levels between authorities.

110. The Department for Education (DfE) has taken further steps towards the full implementation of the NFF in 2024/25 by requiring local authorities to move within 10% of that nationally set NFF levels and only use these factors within

their local funding formula. This has required Leicestershire to seek permission to continue to fund rental costs in some small schools and maintain the approach to funding schools undertaking and affected by age range changes by adjusting pupil numbers which has been in place since 2013. With these exceptions, assuming approval from the DfE, the Leicestershire funding formula remains in accordance with the NFF.

111. The 2024/25 Schools Block DSG settlement is £518.5m, a per pupil increase of 1.85%.

112. Whilst the NFF for schools is based upon the 2023 School Census, funding for local authorities is based upon the pupil characteristics recorded in the 2022 school census. An increase in the number of pupils eligible within the NFF for Free School Meals (FSM) and with English as an additional language (EAL) has resulted in a funding gap of £1.2m. In order to close that gap and ensure that the funding formula is fully delivered within the grant available it has been necessary to enact the DfE's mechanism of capping and scaling school level increases, this has required a cap of 1.6% scaled by 50%. However, all schools continue to receive the DfE's guaranteed increase of 0.5% per pupil.

113. The DfE published provisional DSG allocations in July and then issued a revised and reduced funding NFF settlement in October to reflect an error it had made in its pupil forecast. However, the revised forecast still delivers a guaranteed minimum increase of 0.5% per pupil. The minimum per pupil funding levels are £4,665 per primary and £6,050 per secondary pupil.

114. A total of 34 primary schools and 1 secondary school are expected to be funded at the funding floor leaving them vulnerable to changes in future levels of DfE protection. As the funding guarantee is at pupil level, schools with decreases in pupil numbers will see an overall decrease in budget allocation.

115. Additionally, within the Schools Block, but separate to funding for individual schools, local authorities receive funding for the initial revenue costs of commissioning additional primary and secondary school places The DfE has changed the funding methodology for the grant and introduced minimum funding requirements linked to payment by place rather than by block allocations. This has in turn required a new policy to be adopted which links the payment rates received within the grant allocation to the payments made to schools. The revised policy was considered and approved by the Schools Forum on 21 November 2023 and will be applicable to school growth from April 2024. The grant is confirmed as £2.8m.

116. It remains possible for local authorities to transfer up to 0.5% of the Schools Block DSG to High Needs following consultation with schools and with the approval of the Schools Forum. Secretary of State approval can be sought where the Schools Forum does not agree a transfer, where local authorities wish to transfer more than 0.5% and for local variations to some of the technical aspects of the NFF. No such transfer is proposed for 2024/25 but may need to be considered for future years as a result of the High Needs financial position.

High Needs

117. The structure of the High Needs NFF is unchanged from 2023/24 and the provisional settlement at £108.4m and a 3% increase per head of population. However, it should be noted that the population factor accounts for just £38.7m (36%) of the settlement figure meaning that 64% of the formula is subject to no uplift unlike the schools NFF where all funding factors have been increased for 2024/25.

118. Leicestershire remains at the funding floor i.e. the application of the high needs NFF would generate a lower settlement without this protection. The NFF remains unresponsive to changes in the overall SEN population:

- £10.1m (9%) of the NFF is driven by the number pupils in special school and independent school places
- £31.8m (28%) of the formula relates to historic spend from 2017/18, this was £58.4m compared to a forecast spend of £121.2m for 2023/24.
- £2.8m (3%) of the formula is from the funding floor.

119. There is no indication of whether the high needs NFF will be reviewed although there is an expectation of national tariffs arising from the SEND and Alternative Provision Action Plan. There is no indication of timescales for any associated funding changes and the only reference within the Settlement is '….by the end of 2025, the department [DfE] will have made progress towards introducing a national framework of banding and price tariffs. It is unlikely that any changes to the funding structure, and indeed the method by which local authorities are funded, will be implemented before the 2027 financial year'. Additionally given that the NFF for mainstream schools commenced in 2018 and remains unfinished, funding change in this financially and politically sensitive area could be many years away.

120. The forecast position on the High Needs element of the DSG over the MTFS period is shown below:

	2024/25 £,000	2025/26 £,000	2026/27 £,000	2027/28 £,000
Grant Income	-109,176	-112,430	-115,781	-119,233
Placement Costs	120,579	133,297	147,279	162,705
Other HNB Cost	10,679	11,279	11,279	11,279
Commissioning Cost - New Places	162	37	0	0
Invest to Save Project Costs - TSIL	986	986	986	986
Total Expenditure	**132,406**	**145,599**	**159,544**	**174,970**
Funding Gap Pre Savings	**23,230**	**33,169**	**43,763**	**55,737**
TSIL Programme Defined Opportunities	-3,788	-10,976	-19,195	-27,666
Increase in Local Specialist Places	-2,480	-5,995	-9,868	-13,803
Total Savings	**-6,268**	**-16,972**	**-29,063**	**-41,469**

Annual Revenue Funding Gap	**16,963**	**16,197**	**14,700**	**14,268**
Cumulative High Needs Deficit Brought Forward	**48,501**			
Cumulative High Needs Funding Gap	**65,464**	**81,661**	**96,361**	**110,629**
Surplus (-ve) / Deficit Other DSG Blocks	-8,060	-8,057	-7,557	-4,957
Dedicated Schools Grant Surplus (-ve) / Deficit	**57,404**	**73,604**	**88,804**	**105,672**
High Needs Spend as % of High Needs DSG	**122%**	**130%**	**139%**	**148%**
Surplus / Deficit as % of Total DSG	**8%**	**10%**	**12%**	**14%**

121. Currently local authorities are required to carry forward DSG deficits in an unusable reserve through the continued use of a Statutory Accounts override and may only now contribute to DSG with the approval of the Secretary of State. The accounts override legislation is confirmed until March 2026 when it is expected to end. Unless further legislation is enacted, from this point local authorities will be required to make financial provision for the deficit.

122. Despite significant investment in transforming the service the County Council is facing a deficit of £74m when the statutory override expires. If meaningful reform (or funding) is not instigated before March 2026 the deficit will have to be paid. This would have a significant impact on services. This will be a key consideration when the MTFS is set next year.

123. It is nationally recognised that additional funding alone will not address the financial difficulties, many of which are created by a system where school and parental expectations have a greater influence than a local authority assessment of needs, appropriate provision and affordability. It is clear that national policy changes are needed. At the continued levels of expected growth, the position is unsustainable and puts the Council's finances in a very difficult position. As such it is essential that the planned measures to contain ongoing growth are successful, but additional measures are also required to reduce both demand and costs.

<u>Central Services Block</u>

124. The central services block funds a number of school-related expenditure items such as existing school-based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic costs. DSG for 2024/25 is £3.9m.

125. The settlement continues an annual reduction of 20% for the Historic Costs element of the settlement but a guarantee remains in place to ensure that

funding does not decrease below the financial commitment to meet former teacher employment costs. The Leicestershire allocation is £118,000 below the cost and a claim for additional funding will be submitted in February.

Early Years Block

126. The DfE has announced additional early years DSG to extend early years entitlements. In addition to the offer of the Free Entitlement to Early Education (FEEE) of 15 hours for 38 weeks per year for 3 and 4 year olds, the existing 2-year-old entitlement to 15 hours of free childcare for eligible children of disadvantaged parents expands to include to 15 hours of free childcare for eligible children of working parents starting from April 2024 for 2 year olds and September 2024 for children aged between 9 months and 2 years old.

127. Whilst the Early Years DSG settlement has yet to be published it is estimated to be £63.2m and based on funding rates of £4.77 per hour for the three – four-year-olds and £7.07 for two-year-olds. Local authorities are required to pass through 95% of the settlement to providers, the remaining 5% meeting the cost of the Early Learning and Childcare service and continuing to recoup the early years deficit recorded in 2022/23. The rates to be paid to providers are currently subject to consultation. A delegation to the Director of Children and Family Services following consultation with the Lead Member is recommended to set the rates for 2024/25.

Adequacy of Earmarked Reserves and Robustness of Estimates

128. The Local Government Act 2003 requires the Director of Corporate Resources to report on the adequacy of reserves, and the robustness of the estimates included in the budget.

129. When setting the MTFS prudent and realistic estimates have been used for core assumptions. The following table provides a summary of the impact of changes to those key assumptions:

Impact of (+ or -)	Likelihood	Equates to (+ or -)
1% Council Tax	Low	£3.7m
1% Business Rates growth	Medium	£0.5m
1% Pay award (excludes staff funded from specific grant (e.g. Dedicated Schools Grant, Public Health etc.)	Medium	£2.0m
1% Non-pay budget (excludes ASC demand growth)	Medium	£1.6m
1% ASC demand growth	Medium	£1.8m

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

Risk Area	**Commentary**	**Mitigation/Provision**	RAG
Inflation	High inflation persisting for longer than expected leading to increased costs and continuation of Cost of Living crisis. Government not expected to continue Household Support Fund.	Inflation allowance within the budget and MTFS	Amber
Non achievement of savings and income targets	The requirement for savings and additional income totals £164m over the next four years of which £83m is unidentified	Strong governance in place to maximise savings delivery and early identification of any slippage. MTFS risks contingency and budget equalisation reserve in place	Amber
SEND spend in excess of grant	A cumulative deficit of £111m is anticipated by the end of 2027/28. Expenditure each year is expected to be between £14m and £17m more than high needs block funding, despite £41m of savings being targeted.	Statutory override currently in place but significant risk if this ends and no alternative arrangements are put in place by government	Red
National Living Wage and salary increases	Increases in the NLW have been estimated for 3 of the 4 years of the MTFS and pay awards are unknown for any year. Each 1% increase in the NLW increases the Council's cost base by around £2m per annum. Whilst there is some provision for this in the inflation allowance, there is a risk that it may not be sufficient.	Inflation allowance to manage in-year fluctuations	Amber
Local Government Finance Reform and other policy reforms	A number of significant government initiatives already delayed with further delays expected. These include: • Review of Business Rate retention, including a "reset" of the system's baselines • Fair Funding Review • Review of SEND reforms • Adult Social Care charging reforms • Children's Social Care reforms	Prudent assumptions made in the MTFS for future funding e.g. business rates growth phased out and other grant income kept flat	Amber
Further service demand	Unforeseen service pressures resulting in an overspend, particularly demand-led children's and adult social care.	Prudent growth assumptions in the MTFS, financial controls, MTFS contingencies	Amber

131. No budget can ever be completely free from risk. Necessarily, assumptions are made which means that the budget will always have an amount of uncertainty.

132. There are a number of ways that risks will be mitigated and reduced which are highlighted above and explained further below:

- General Fund
- MTFS contingencies
- Earmarked reserves
- Effective risk management arrangements.

General Fund

133. The General Fund balance is available for unforeseen risks that require short term funding. The forecast balance at the end of 2023/24 is £21m which represents 3.7% of the net budget (excluding schools' delegated budgets). It is planned to increase the General Fund to £24m by the end of 2027/28 to reflect increasing uncertainty and risks over the medium term, and to avoid a reduction in the percentage of the net budget covered. Examples of risks include:

- Legal challenges arising from 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.
- New legislation introducing new burdens or service requirements

134. To put the level of resources into context: with the exclusion of schools, the County Council spends nearly £60m a month.

135. The proposed MTFS also includes a contingency of £10m in the first year, reducing to £8m from 2025/26 for other specific key risks that could affect the financial position on an ongoing basis. Further details are provided earlier in the report.

Earmarked Reserves

136. The estimated balance for revenue earmarked reserves (excluding schools and partnerships) as at 31 March 2024 is £75.2m and for capital funding purposes £126.1m. This is set out in detail in Appendix K to this report. The final level of earmarked reserves will be subject to the current year budget outturn.

137. Earmarked funds and balances are held for specific purposes in line with the Council's Earmarked Reserves Policy attached as Appendix J. The main earmarked reserves and balances projected at 31 March 2024 are:

(a) Capital Financing (£126.1m). Holds MTFS revenue contributions for the capital programme or one-off projects.
(b) Insurance (£16.3m). Held to meet the cost of future claims not covered by insurance policies.

(c) Budget Equalisation (£56.5m). Used to manage variations in funding across financial years. This includes the cash requirements of the High Needs element of the Dedicated Support Grant (DSG). The reserve includes £6.4m earmarked to offset the forecast 2024/25 net MTFS deficit. The intention is to manage the deficits through further ongoing cost reductions.
(d) Transformation (£5.0m). Used to invest in transformation projects to achieve efficiency savings and also to fund severance costs.
(e) Earmarked reserves are held for specific departmental infrastructure, asset renewal and other initiatives (£22.2m).
(f) Pooled Property investments (-£24.8m) – invested against the balance of earmarked reserves held.

138. The level of earmarked reserves and balances is monitored regularly throughout the year where funds have been identified that are no longer required transfers have been made. Reports are taken to members as part of the MTFS.

139. The CIPFA financial resilience index for local authorities provides a useful set of indicators of the financial risks facing local authorities. The index can be broadly grouped into three categories:

- Levels of reserves, with higher values considered good.
- Hard to reduce expenditure, for example social care, with lower levels good.
- Certainty of income, with higher levels good.

140. The latest index is for balances as at 31 March 2023 and broadly shows positive results. One indicator is rated as high risk with the others showing as medium or low risk. The main indicators are:

- Growth above business rates baseline – high risk. A provision of £10m has been included in the MTFS for a future business rates reset.
- Reserves sustainability measure – low risk. Ratio of current level of reserves and the average change over each of the last three years.
- Interest Payable / Net Revenue Expenditure – medium risk. Interest payable on external debt, due to the high debt interest rates relative to current available rates.
- Unallocated reserves – medium to high risk. The proposed MTFS includes plans to increase the level of the General Fund.
- Change in earmarked reserves – medium risk.

141. The Government has recently established the Office for Local Government (OfLOG), which will act as a performance body for local government, providing data and analysis about the performance of Councils to support improvement. The OfLOG indicators also show a broadly positive picture for the County Council. It shows that the Council continues to be the lowest funded county and is the second lowest for spend on social care.

142. Although the 2022/23 position shows that overall risks are increasing, particularly in relation to the level of reserves, the County Council is still reporting a better position than most County Councils. The increased risk factor in relation to reserves emphasises the importance of identifying and delivering further savings as a priority to avoid the further use of reserves beyond 2024/25.

143. Grant Thornton, the County Council's external auditor, reviews the level of earmarked funds held by the County Council as part of its value for money review of the current MTFS. The latest available report, from 2022/23, reported no issues.

School Balances

144. Balances are also held by schools. They are held for two main reasons: firstly, as a contingency against financial risks and secondly, to meet planned commitments in future years. The balance at 31 March 2023 was £9.1m. The balance at 31 March 2024 has not been estimated but is expected to have reduced as a result of spending pressure. It is also affected by the number of schools converting to Academies.

Risk Management

145. The Council's risk management policy statement and strategy, and insurance policy are reviewed annually and are included as Appendix I and L respectively. The policies were considered and noted by the Corporate Governance Committee on 26 January 2024.

Robustness of Estimates

146. The Director of Corporate Resources provides detailed guidance notes for Departments to follow when producing their budgets. As well as setting out certain assumptions such as inflation, these notes set a framework for the effective review and compilation of budget estimates. As a result, all estimates have been reviewed by appropriate staff in departments. In addition, each department's Finance Business Partner has identified the main risk areas in their budget and these have been evaluated by the Director of Corporate Resources. The main risks are described earlier in the report.

147. All savings included in the MTFS have had an initial deliverability assessment so that a realistic financial plan can be presented. Saving initiatives that are at an early stage of development, or require further work to confirm deliverability, have not been included in the MTFS, but are reported for information as savings under development.

148. The Cabinet and the Scrutiny Commission receive regular revenue and capital monitoring reports, budget and outturn reports. In addition, further financial governance reports, including those from the External Auditor are considered by both the Corporate Governance Committee and the Constitution Committee. This comprehensive reporting framework enables members to satisfy themselves about both the financial management and standing of the County Council.

Concluding Comments – Revenue Position

149. Having taken account of the overall control framework, budget provisions included to support the delivery of transformation, growth to reflect spending pressures, the inclusion of a contingency for MTFS risks and the earmarked reserves and balances of the County Council, assurance can be given that the estimates are considered to be robust and the earmarked reserves are adequate.

150. The draft MTFS is balanced in 2024/25, but only by using £6m of one-off reserves. There is then a financial gap of £33m in 2025/26 rising to £83m by 2027/28.

151. There are significant uncertainties that could change the financial gap facing the County Council. These can be summarised as uncertainty over funding and future government policy, cost and demand growth and delivery of savings.

152. Funding uncertainties are predominately driven by Government and external factors. It is expected that some funding streams will reduce, for example if the planned reset of the Business Rate Baseline is implemented, the Council will lose the benefit of growth built up over a number of years and currently worth around £10m per annum. In addition, the position on some specific grants after 2024/25 is uncertain. In line with previous practice the MTFS assumes a reduction in business rates and some grants, albeit at a far lower level than during the austerity years.

153. The future direction of government policy is also unclear, especially with a General Election due before January 2025 and a new Spending Review period from 2025/26. There are a range of government policy initiatives and reforms that have been delayed, including Fair Funding and Adult Social Care and there remains uncertainty over the timing and implications of these reforms.

154. Cost growth manifests itself as either inflationary pressures or service growth. Service growth primarily relates to a growing and ageing population and a large increase in school-age children requiring support, which put huge demands on social care and SEND service. The Council is also seeing an increase in complex cases and exceptionally high cost placements which is putting further pressure on social care costs.

155. Successful delivery of savings is dependent upon a range of factors, not all of which are in the control of the County Council. All savings included in the MTFS have had an initial deliverability assessment so that a realistic financial plan can be presented. With 2025/26 forecast to not be balanced there is less time to generate new savings and a lower margin of error on delivery. Identifying new savings will be a key activity a task made harder by the reduced options available.

156. Balancing the budget is a continued challenge. With continual growth in service demand, recent MTFS's have tended to show two years of balanced budgets followed by two years of growing deficits. This approach balances the need for sufficient time to identify initiatives that will close the gap without cutting back services excessively. The MTFS only forecasts a balanced budget next year, after using £6.4m of earmarked reserves to meet the gap, but the following three years are all in deficit.

157. The gaps in the second, third and fourth years of the MTFS are particularly concerning. To have a realistic chance of closing them the County Council will need to identify mitigations that allow 2025/26 to be balanced without the use of reserves. This includes a reinforcement of existing financial control measures and the introduction of new ones to ensure a tight focus on eliminating non-essential spend.

158. Reserves are only a short-term solution and the Council will need to ensure it has adequate savings and growth mitigation plans in place from 2025/26 to avoid the need to rely on reserves again to balance the budget. A heightened focus on the County Council's finances continues to be required whilst this situation remains.

159. In additional to these direct uncertainties the County Council is not insulated from financial difficulties of partner organisations. Currently the County Council's ongoing financial plans include £52m of funding related to the BCF. Even a partial loss of this funding would be difficult to manage.

160. Maintained schools and academies are under significant financial pressure; this could affect the County Council through its statutory responsibilities relating to education, for example to ensure the provision of sufficient school places. This pressure also increases the risk of lost commercial income, as schools and academies are the Authority's main commercial trading partner.

161. It is key to note that the delivery of the refreshed MTFS will be even more challenging than usual. Some local authorities, which are better funded than Leicestershire, were already in financial difficulties before the cost of living crisis began, and in recent months many, like Leicestershire, have been publicly stating that their budgets are under unprecedented pressures. A recent Society of County Treasurers survey highlighted the pressures being faced across the sector, with many authorities reporting the need to use reserve to plug budget gaps and a lack of confidence in the ability to balance future budgets. For instance, on average, £13m of reserves are expected to be used in 2023/24 to balance budgets with overspends in the current year averaging £16m. Whilst Leicestershire is forecasting an overspend, because of the prudent approach taken during budget setting it is not expected to be at this level. Furthermore, 4 in 10 councils were unsure or not confident that they could produce a balance budget for 2024/25.

162. The focus on Leicestershire's finances over the past few years, including taking tough decisions on service reductions, has put the Council in a relatively sound short-term position. It is essential that the focus on medium term financial planning and strong financial discipline is maintained.

163. The scale of the continued growth in demand for social care, compounded by high inflation, is currently the main cause of the County Council's financial pressures. However, the most challenging issue facing the Council is the cumulative SEND deficit. A well-resourced programme is in place that recognises the need to get the service into financial balance. The Council will need to ensure delivery of the programme is a key priority

164. The delivery of this MTFS rests on four factors:

- Dealing with the steep increase in cost pressures, which will involve innovative and proactive commissioning strategies.
- The absolute need to deliver the savings in the MTFS. The key risks are the technical difficulty of some projects and the public acceptance of some savings.
- The need to have very tight control over demand-led budgets, such as social care and special education needs, and focus on initiatives to reduce the level of future demand through prevention and promoting independence.
- The need to manage other risks and external factors that could affect the Authority's financial position. These include costs currently being borne by the NHS shifting to local authorities, continuation of inflationary pressures and loss of trading income.

Treasury Management Strategy Statement

165. The Treasury Management Strategy Statement, which includes the minimum revenue provision (MRP) statement and annual investment strategy, must be approved in advance of each financial year by the County Council. Appendix N to this report sets out the Treasury Management Strategy Statement for 2024/25.

166. The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The Council is required to approve an annual MRP statement and set prudential and treasury indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are included with the Treasury Management Strategy as Annex 1 and Annex 2.

167. The legislation requires the Council to set its treasury strategy for borrowing and to prepare an annual investment strategy (for treasury management investments). This sets out the Council's policies for managing its treasury management investments and for giving priority to the security and liquidity of those investments. This Strategy should be read in conjunction with the Investing in Leicestershire Programme (IILP) Strategy (Appendix H), which sets out the Council's approach when considering the acquisition of investments for the purposes of inclusion within the IILP, and the Capital Strategy (Appendix G), which sets out the Council's approach to determining its medium term capital requirements.

168. The Treasury Management Strategy has been updated for 2024/25 and includes the following:

- Conformance to the CIPFA prudential and treasury management Code, which provides that authorities must not borrow (internally or externally to invest in physical assets primarily for financial gain).
- Liability benchmark prudential indicator, included in Annex 2 - shows in a graphical form the projection of loan debt the Council needs each year into the future to fund its existing debt liabilities.
- Average investment balances of £400m contributing to bank and other interest income included in the MTFS of £14m in 2024/25 reducing to £3m by 2027/28 and balances and interest rates are forecast to reduce.

169. The expectation is that there will be no new external borrowing by the County Council in the period covered by this MTFS.

170. The Council continues to maintain a low risk approach to the manner in which its list of authorised counterparties is produced and takes advice from the Council's treasury management advisors, Link Group, on all aspects of treasury management.

171. The strategies were considered and noted by the Corporate Governance Committee on 26 January 2024.

Capital Programme 2024/25 to 2027/28

172. The overall approach to developing the capital programme is set out in the capital strategy (Appendix F) and is based on the following key principles:

- To invest in priority areas of growth, including roads, infrastructure, economic growth;
- 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 section106 housing developer contributions and income from other external funding agencies.
- No or limited prudential borrowing (only if the returns exceed the borrowing costs).

173. The draft capital programme totals £447m over the four years to 2027/28, 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.

Changes to the Draft Capital Programme since 19 December 2023

174. There have been minimal changes to the programme since the draft reported to the Cabinet in December. All capital profiles have been reviewed for the latest estimates of expenditure and updated in the proposed programme.

175. The draft programme and funding are shown below.

Draft Capital Programme 2024-28

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Children and Family Services	31.6	48.0	7.8	3.5	90.9
Adults and Communities	6.4	4.9	6.1	4.8	22.2
Environment and Transport	80.0	54.4	38.3	34.7	207.4
Chief Executive’s	0.1	0.1	0.0	0.0	0.2
Corporate Resources	2.8	1.9	1.8	3.4	9.9
Corporate Programme	26.1	29.1	23.2	38.4	116.8
Total	**147.0**	**138.4**	**77.2**	**84.8**	**447.4**

Capital Resources 2024-28

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Grants	41.2	50.4	38.9	43.0	173.5
Capital Receipts from sales	24.4	2.9	1.0	3.8	32.1
Revenue/ Reserve Contributions	63.7	42.2	0.1	0.1	106.1
External Contributions	17.7	18.3	5.8	0.5	42.3
Total	**147.0**	**113.8**	**45.8**	**47.4**	**354.0**
Funding Required	**0.0**	**24.6**	**31.4**	**37.4**	**93.4**

176. 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 £40m is included in the draft capital programme, shown within the Corporate programme.

177. The proposed programme can be summarised as:

Service Improvements	£258m
Invest to Save	£73m
Investment for Growth	£61m
Future Developments/ Risk Contingency	£55m
Total	£447m

Funding and Affordability

Forward Funding

178. The County Council recognises the benefits that can come from forward funding 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. £9m in forward funding has been included in the proposed capital programme (in addition to £11m in previous years). Of this total, £5m has already been repaid, £3m is estimated to be repaid by 2027/28 and has been included in the new MTFS period, with the balance of £12m to be repaid after 2028. 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.

179. Forward funding presents a significant financial commitment and risk for the County Council and is being undertaken to ensure:

- External funding is 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.

180. There are risks involved in managing and financing a programme of this size. An increased reliance on developer contributions through section 106 agreements means that it may take many years for investment to be repaid. Historic agreements may not be sufficient for the actual cost of infrastructure in the high inflation environment that is currently being experienced. The drivers of inflation are having a particularly profound impact upon construction schemes. Risks could be further compounded in the event of an economic slowdown, which could delay the housing development required before section 106 funding is received.

181. A key determinant in generating sufficient developer contributions is the approach taken by the district councils, as the planning authorities. The district council will set the local planning context against which section 106 agreements will be agreed and ultimately decide on planning permission.

182. The Council’s financial position, both in relation to capital and revenue funds is grave. As the lowest funded county council in England, the Council has limited capacity to provide capital funding, or forward funding (recovered over a period of time) to support planned growth and therefore the focus must be on maximising developer contributions and delivery rather than the County Council filling viability gaps in highways infrastructure requirements.

183. Whilst this approach significantly reduces the financial risk faced by the County Council, in the shorter term, it does not remove it entirely. Until such time as Government policy reflects and addresses the challenges faced by local authorities in meeting housing needs whilst ensuring infrastructure is available and appropriate, district councils, as planning authorities are in the best position to manage the developer contribution risk. It is therefore necessary for the district councils to work with the County Council to ensure Local Plans include policies that balance the need to support delivery of growth without exposing the County Council to further financial risk. District councils also need to work with the County Council to direct more funding towards priority infrastructure.

184. Without new funding the County Council can only commit to constructing new infrastructure upon receipt of funds from developers. Whilst the County Council will always be mindful of its statutory duty to ensure that highway safety is not compromised, there could be adverse impacts of development, such as congestion, if sufficient developer funding is not secured through the planning process.

Capital Grants

185. Grant funding for the capital programme totals £174m across the 2024-28 programme. The majority of grants are awarded by Government departments including the DfE and the DfT.

Children and Family Services

186. 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 2024/25, £3.1m and 2025/26 £17m. No details have been announced for future years. An estimate of £1m has been used for 2026/27 to 2027/28.

b) Strategic Capital Maintenance – this grant provides the maintenance funding for the maintained school asset base. Details of the grant for 2024/25 and future years have not yet been announced. An estimate of £2m per annum is included in the capital programme.

c) Childcare Expansion Capital Grant – new grant to support local authorities in delivering the expansion of childcare places, £1.2m.

d) 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 is included in the MTFS, based on the number of maintained schools.

Adult Social Care

187. Capital funding for the Disabled Facilities Grant (DFG) programme has not yet been announced. An estimate in line with previous years of £4.9m per annum has been included in the capital programme.

Environment and Transport

188. The main DfT grants have been announced for 2024/25 and although allocations for later years have not been announced yet, estimates have been included, based on previous years. These include:

a) Integrated Transport Block - £2.8m p.a. (£11.0m 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).

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

- Melton Mowbray North and East Distributor Road - £5.5m (balance of £49m overall grant awarded in earlier years).
- DfT Network North Funding – £31m estimated in the MTFS. Allocations for 2023/24, and 2024/25 have been confirmed (£2.3m in each year) with allocations for later years yet to be announced but expected to increase over time. This is new additional highways maintenance funding announced in October 2023, for 2023/24 and the next 10 years for local road resurfacing and wider maintenance activity on the local highway network. In total this could be c.£130m over 11 years.

190. As DfT grant allocations are expected to continue and increase year on year it may be possible to accelerate funding to earlier years. This will be subject to approval by the Director of Corporate Resources that funding is available.

Capital Receipts

191. The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £32m across the four years to 2027/28.

192. 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. The estimate also includes the planned sale of some investments in Pooled Property Funds, a prudent estimate of £5.6m has been included.

Revenue / Earmarked Funds/ Contributions

193. To supplement the capital resources available and avoid the need for borrowing £106m of revenue/ reserves funding is being used to fund the programme consisting of:

Departmental reserves	£1m
Capital financing reserve	£105m
Total	£106m

194. The capital financing reserve temporarily holds revenue contributions to fund the capital programme until they are required. Other funding sources to the capital programme that contain restrictions are maximised before using the capital financing reserve.

External Contributions and Earmarked Capital Funds

195. A total of £42m is included in the funding of the capital programme 2024-28. This relates to section 106 developer contributions, including an estimated £3m in section 106 receipts relating to forward funded capital schemes over the next four years.

Funding from Internal Balances

196. A total of £93m 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 £15m of this funding will be repaid through the associated developer contributions. This shortfall in funding (£93m) has been reduced by £29m, from the £122m that is included in the current MTFS 2023-27. The main changes are withdrawal of the Melton Mowbray Distributor Road South project and increased funding to the capital programme mainly from the Council's share of the 2022/23 Business Rates Pool levies, (which are being used on projects which contribute towards economic development).

197. 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 reserves, provisions for future liabilities, the Minimum Revenue Provision (MRP) set aside for the repayment of debt and working capital of the Council. The cost of raising external loans over the medium to long term is forecast to exceed the cost of interest lost on cash balances by circa 2%.

198. The overall cost of using internal balances to fund £93m of investment is dependent on what happens to interest and borrowing rates over the medium to long term. Current forecasts show the cost of borrowing £93m externally would be around £7.5m per annum for the next 40 years, in interest and repayment of principal - minimum revenue provision (MRP). Internal borrowing would still require MRP setting aside but net interest savings could amount to £2m per annum. However, because of the uncertainty on interest rates, this position will be kept under review as part of the treasury management strategy.

199. The County Council's current level of external debt is £220m. 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

200. Over the period of the MTFS, a capital programme of £447m is required of which £147m is planned for 2024/25. The main elements are:

- Children and Family Services - £91m. 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 - £22m. The programme includes £19m relating to the Disabled Facilities Grant (DFG) programme and schemes for the Social Care Investment Plan (SCIP).
- Environment and Transport - £207m. This relates to: major schemes such as Melton Mowbray Distributor Road North East, Zouch Bridge replacement as well as the Transport Asset Management Programme and the Environment and Waste Programme. Other significant projects include Melton Depot replacement and the vehicle replacement programme.
- Chief Executive's - £0.2m, for a Legal case management system.
- Corporate Resources - £10m investment in ICT, Transformation, Property and Environmental projects.
- Corporate Programme - Investing In Leicestershire Programme (IILP) £62m (subject to business cases), the Future Developments fund £40m (subject to business cases), and a Major Schemes Portfolio risk fund of £15m.

201. Details of the proposed capital programme are shown in Appendix F to this report.

<u>Capital Summary</u>

202. The capital programme totals £447m over the four years to 2027/28. The Council recognises the need to fund long term investment and has set a capital programme that includes forward funding of capital infrastructure projects for highways of £9m (£20m cumulative including prior years).

203. Longer term infrastructure schemes (outside of the MTFS period) are not included in the programme. Pressure on school places and Leicestershire's infrastructure is expected from population growth, with estimates of a 10% increase in the County's population between 2020 and 2030. It is assumed that section 106 and Government funding will be available at the necessary level.

204. Other capital pressures include schemes shown as future developments under each departmental capital programme. These are 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 funding for potential improvements to the archives, collections and learning hub, highways match funding of capital bids, highways depot maintenance, investment in ICT major system replacements, country parks and climate change. A fund of £40m has been set aside in the capital programme for future developments but this will be insufficient to fund all of the schemes identified. The list of future developments is continually refreshed.

205. Overall £93m from internal cash balances will be used to fund the cash flow of the capital programme. As such there is very limited scope to add further capital schemes to the capital programme. The additional revenue costs arising from this total £7.5m per annum, on the basis of internal borrowing.

206. By their nature, discretionary asset investments, which are made to generate capital receipts or revenue returns, are risky. Whilst this is partially mitigated by the Council's ability to take a long-term view of investments, removing short-term

volatility, it is likely that not all investments will yield returns in line with the business case.

207. A significant portion of the programme enables revenue savings; delays or unsuccessful schemes will directly affect the revenue position.

208. Additional Government investment in housing and infrastructure is increasingly subject to a competitive bidding process and areas with devolution deals are likely to be preferred.

Investing in Leicestershire Programme

209. The Council directly owns and manages properties, including Industrial, Office and County Farms as part of the Investing in Leicestershire Programme (IILP). The programme also includes financial investments outside of direct property ownership, for example private debt, and pooled property investments. These indirect investments provide diversification of the programme. The programme is held for the purposes of supporting the delivery of various economic development objectives and is also income generating so makes a contribution to the Council's overall financial position. The aims of the IILP Strategy align with the five Strategic Outcomes set out in the Council's Strategic Plan (Strong economy, wellbeing and opportunity, keeping people safe, great communities and affordable and quality homes).

210. A total fund of £217m is forecast to be held by the end of 2023/24. Over the MTFS period the following changes have been included:

- +£59m: additional investment in MTFS 2024-28 capital programme (excluding general improvement investment), subject to business cases
- -£9m: sale of direct property held and pooled property funds
- -£7m: net change in maturing indirect investments held

211. These will bring the total held to £260m (based on historic cost). Annual income returns are currently around £8m and are forecast to increase to £10m by the end of the MTFS period (and higher in later years), contributing ongoing net income for the Council.

212. The IILP Strategy has been updated for 2024-28 and is included as Appendix H to this report. The Strategy has been reviewed by Hymans Robertson and a summary of their conclusions included in the appendix.

Other Funding Issues

Freeport

213. The County Council is acting as Accountable Body in relation to the establishment and ongoing activity of the East Midlands Freeport (EMF). The Freepost has been in operation since March this year and the various governance documents required are in their final stages of completion.

214. The County Council has provided up front funding to support business case development and wider set up costs. This is in the form of a commercial loan capped at £4m. Capacity funding has also been received from DLUHC. By the end of the current financial year it is expected that around £2.7m of the £4m will have been drawn down. However, this loan will begin to be paid back by the end of the next financial year from the Freeport’s retained business rates income stream and it is expected to be fully repaid, with interest, within the 2025/26 financial year.

Equality Implications

215. Under the Equality Act 2010 local authorities are required 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.

216. The Council uses an Equality Impact Assessment (EIA) to consider if any proposals may impact (either positively or negatively) on these priorities. An initial EIA has been undertaken on the MTFS as a whole. However, individual proposals will need to be separately considered and assessed.

217. The Council has also chosen to consider the impact of proposals on other communities of interest who might experience discrimination and disadvantage. These are:

- People serving within the armed forces or ex-armed forces
- Gypsy and Traveller communities
- Asylum seeker and refugee communities
- Migrant workers and other new arrivals
- Looked after children
- Care leavers
- Deprived or disadvantaged communities

218. A high-level Equalities Impact Assessment of the MTFS 2024-28 has been completed to:

- Enable decision makers to make decisions on an informed basis.
- Inform decision makers of the potential for equality impacts from the budget proposals.

219. The assessment found that there are several areas where there are opportunities for positive benefits from addition investment that the Council is making. However there is a risk that this investment will not keep up with demand, impacting on the outcomes for people with protected characteristics who use Council services. Overall, the assessment finds that the Council’s budget proposals risk a greater impact on older people, children, and disabled people

more than people without these characteristics. This is as expected given the nature of the services provided by the Council.

220. Individual proposals will need to be developed and subjected to individual equality impact assessments. The proposals may need to be reassessed and modified in light of these findings.

221. Any 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.

Human Rights Implications

222. Where there are potential Human Rights implications arising from the changes proposed, these will be subject to further assessment including consultation with the Council's Legal Services.

Crime and Disorder Implications

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

Environmental Implications

224. The MTFS includes schemes to support the Council's response to climate change and to make environmental improvements.

Partnership Working and Associated Issues

225. 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

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

Background Papers

Report to the Cabinet 19 December 2023 – Provisional Medium Term Financial Strategy 2024-28 – Proposals for Consultation
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7081&Ver=4

Report to the County Council 22 February 2023: Medium Term Financial Strategy 2023-27
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=6913&Ver=4

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

Appendices

Appendix A: 2024/25 Revenue Budget
Appendix B: Four Year Revenue Budget 2024/25 to 2027/28
Appendix C: Growth and Savings 2024/25 to 2027/28
Appendix D: Savings under Development
Appendix E: Detailed Revenue Budgets 2024/25
Appendix F: Capital Programme 2024/25 to 2027/28
Appendix G: Capital Strategy
Appendix H: Investing in Leicestershire Programme Strategy
Appendix I: Risk Management Policy and Strategy
Appendix J: Earmarked Reserves Policy
Appendix K: Earmarked Reserves forecasts
Appendix L: Insurance Policy
Appendix M: Council Tax and Precept
Appendix N: Treasury Management Strategy Statement and Annual Investment Strategy
Appendix O: MTFS Consultation Report
Appendix P: Equality Impact Assessment
Appendix Q: Comments of the Overview and Scrutiny Committees and Scrutiny Commission (to follow)

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APPENDIX A

REVENUE BUDGET 2024/25

	Gross Expenditure				Gross Income (external)				NET
	Base including inflation	Growth	Savings	Gross Expenditure	Base including inflation	Growth	Savings	Gross Income	TOTAL
Spending	£	£	£	£	£	£	£	£	£
Services :									
Children & Family Services	449,801,970	18,100,000	-3,730,000	464,171,970	-343,269,780	0	0	-343,269,780	120,902,190
Adults & Communities	344,945,600	31,205,000	-4,985,000	371,165,600	-133,713,920	-6,910,000	-1,865,000	-142,488,920	228,676,680
Public Health	31,182,210	0	-800,000	30,382,210	-32,988,320	0	0	-32,988,320	-2,606,110
Environment & Transport	128,534,500	5,195,000	-635,000	133,094,500	-25,391,580	380,000	-405,000	-25,416,580	107,677,920
Chief Executives	20,511,210	345,000	-115,000	20,741,210	-4,257,860	0	-200,000	-4,457,860	16,283,350
Corporate Resources	80,419,370	0	-1,155,000	79,264,370	-40,923,370	0	-170,000	-41,093,370	38,171,000
	1,055,394,860	54,845,000	-11,420,000	1,098,819,860	-580,544,830	-6,530,000	-2,640,000	-589,714,830	509,105,030
DSG (Central Dept recharges)	-2,285,000			-2,285,000	0			0	-2,285,000
Service Investment Fund	200,000			200,000	0			0	200,000
MTFS Risks Contingency	10,000,000			10,000,000	0			0	10,000,000
Contingency for inflation/ Living Wage	36,058,820			36,058,820	0			0	36,058,820
Total Services	1,099,368,680	54,845,000	-11,420,000	1,142,793,680	-580,544,830	-6,530,000	-2,640,000	-589,714,830	553,078,850
Central Items:									
Financing of capital	20,050,000			20,050,000	-2,650,000			-2,650,000	17,400,000
Revenue funding of capital	0			0	0			0	0
Bank & other interest	0			0	-14,200,000			-14,200,000	-14,200,000
Central expenditure	3,470,340	150,000		3,620,340	-835,000	0	-80,000	-915,000	2,705,340
Total Central Items	23,520,340	150,000	0	23,670,340	-17,685,000	0	-80,000	-17,765,000	5,905,340
Total Services & Central Items	1,122,889,020	54,995,000	-11,420,000	1,166,464,020	-598,229,830	-6,530,000	-2,720,000	-607,479,830	558,984,190
Contribution to earmarked reserves	15,000,000			15,000,000	0			0	15,000,000
Contribution from budget equalisation reserve to balance 2024-25 revenue budget	-6,376,820			-6,376,820					-6,376,820
Total Spending	1,131,512,200	54,995,000	-11,420,000	1,175,087,200	-598,229,830	-6,530,000	-2,720,000	-607,479,830	**567,607,370**

Funding	
Revenue Support Grant	-28,840
Business Rates - Top Up	-42,382,870
Business Rates Baseline/Retained	-31,490,130
S31 grants - Business Rates	-17,517,000
Business Rates Pool - share of Levy	-6,500,000
Council Tax Precept	-397,915,710
Council Tax Collection Fund net deficit / (surplus)	-1,918,070
New Homes Bonus Grant	-1,011,920
Improved Better Care Grant etc.	-14,190,000
Social Care Grant	-43,696,730
Services Grant	-393,770
ASC Market Sustainability & Improvement Fund	-10,562,330
Total Funding	**-567,607,370**

Council Tax	
Council Tax Base	248,451.88
Band D Council Tax	£1,601.58
Increase on 2023/24 (£1,525.46)	4.99%

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APPENDIX B

2024/25 - 2027/28 REVENUE BUDGET *

Spending	TOTAL 2023/24 £000	Inflation/ Contingencies /Transfers £000	Growth £000	Savings £000	TOTAL 2024/25 £000	Inflation/ Contingencies /Transfers £000	Growth £000	Savings £000	TOTAL 2025/26 £000	Inflation/ Contingencies /Transfers £000	Growth £000	Savings £000	TOTAL 2026/27 £000	Inflation/ Contingencies /Transfers £000	Growth £000	Savings £000	TOTAL 2027/28 £000
Services :																	
Children & Family Services	**100,772**	5,760	18,100	-3,730	**120,902**		7,850	-4,290	**124,462**		8,540	-3,650	**129,352**		8,820	-4,250	**133,922**
Adults & Communities	**186,882**	24,350	24,295	-6,850	**228,677**		7,195	-1,920	**233,952**		7,435	-3,860	**237,527**		7,095	-1,325	**243,297**
Public Health **	**-1,806**	0	0	-800	**-2,606**			-140	**-2,746**			0	**-2,746**			0	**-2,746**
Environment & Transport	**93,412**	9,731	5,575	-1,040	**107,678**	500	2,295	-2,235	**108,238**		1,305	-1,195	**108,348**		1,780	-115	**110,013**
Chief Executives	**14,909**	1,344	345	-315	**16,283**			-15	**16,268**			-10	**16,258**			-10	**16,248**
Corporate Resources	**35,523**	3,973	0	-1,325	**38,171**			-1,715	**36,456**			-495	**35,961**			0	**35,961**
	429,692	45,158	48,315	-14,060	**509,105**	500	17,340	-10,315	**516,630**	0	17,280	-9,210	**524,700**	0	17,695	-5,700	**536,695**
DSG (Central Dept recharges)	**-2,285**				**-2,285**				**-2,285**				**-2,285**				**-2,285**
Growth Contingency	**1,000**	-1,000			**0**		9,660		**9,660**		9,720		**19,380**		9,305		**28,685**
Service Reduction Contingency	**900**	-900			**0**				**0**				**0**				**0**
Fair Cost of Care / Adult Social Care Reforms	**4,600**	-4,600			**0**				**0**				**0**				**0**
Service Investment Fund	**0**	200			**200**				**200**				**200**				**200**
MTFS Risks Contingency	**10,000**	0			**10,000**	-2,000			**8,000**				**8,000**				**8,000**
Contingency for inflation/ Living Wage	**41,765**	-5,706			**36,059**	20,350			**56,409**	21,350			**77,759**	21,950			**99,709**
	485,672	33,152	48,315	-14,060	**553,079**	18,850	27,000	-10,315	**588,614**	21,350	27,000	-9,210	**627,754**	21,950	27,000	-5,700	**671,004**
Central Items:																	
Financing of capital	**19,500**	-2,100			**17,400**	-300			**17,100**	700			**17,800**	800			**18,600**
Revenue funding of capital	**6,545**	-6,495		-50	**0**				**0**				**0**				**0**
Bank & other interest	**-13,600**	-600			**-14,200**	7,000			**-7,200**	3,000			**-4,200**	1,000			**-3,200**
Central expenditure	**2,535**	100	150	-80	**2,705**				**2,705**				**2,705**				**2,705**
Total Services & Central Items	**500,652**	24,057	48,465	-14,190	**558,984**	25,550	27,000	-10,315	**601,219**	25,050	27,000	-9,210	**644,059**	23,750	27,000	-5,700	**689,109**
Contributions to earmarked reserves	**10,400**				**15,000**				**8,100**				**7,400**				**7,200**
Contributions to/from General Fund	**1,000**				**0**				**1,000**				**1,000**				**1,000**
Contribution from reserves to balance 2024/25 budget					**-6,377**												
Total Spending	**512,052**				**567,607**				**610,319**				**652,459**				**697,309**
Funding																	
Revenue Support Grant (new burdens)	**-27**				**-29**				**-30**				**-30**				**-30**
Business Rates - Top Up	**-40,527**				**-42,383**				**-43,650**				**-44,350**				**-45,020**
Business Rates Baseline/Retained	**-27,997**				**-31,490**				**-27,450**				**-22,970**				**-23,460**
S31 grants - Business Rates	**-12,090**				**-17,517**				**-18,040**				**-18,330**				**-18,600**
Business Rates Pool - share of Levy	**0**				**-6,500**				**0**				**0**				**0**
Council Tax Precept	**-374,208**				**-397,916**				**-424,040**				**-443,270**				**-463,370**
Council Tax Collection Fund net deficit / (surplus)	**-1,687**				**-1,918**				**-500**				**-500**				**-500**
New Homes Bonus Grant	**-1,257**				**-1,012**				**0**				**0**				**0**
Improved Better Care Grant etc.	**-14,190**				**-14,190**				**-14,190**				**-14,190**				**-14,190**
Social Care Grant	**-32,012**				**-43,697**				**-38,667**				**-38,667**				**-38,667**
Services Grant	**-2,404**				**-394**				**0**				**0**				**0**
ASC Market Sustainability & Improvement Fund	**-5,653**				**-10,562**				**-10,562**				**-10,562**				**-10,562**
Total Funding	**-512,052**				**-567,607**				**-577,129**				**-592,869**				**-614,399**
VARIANCE	**0**				**0**				**33,190**				**59,590**				**82,910**
Band D Council Tax	*£1,525.46*				*£1,601.58*				*£1,681.50*				*£1,731.78*				*£1,783.56*
Increase	*4.99%*				*4.99%*				*4.99%*				*2.99%*				*2.99%*

* provisional for 2025/26 and later years
** preventative expenditure within other Departments' budgets to be identified and absorbed into the ring fenced budget

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APPENDIX C

	References		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
		GROWTH				
		CHILDREN & FAMILY SERVICES				
**	G1	Demographic growth & increasing cost of Social Care Placement mix	13,700	21,400	30,100	39,800
**	G2	Front-line social care staff - increased caseloads	0	250	250	350
	G3	Post Transforming SEND & Inclusion In Leicestershire(TSIL) sustainability	1,200	1,200	1,200	1,200
	G4	Unaccompanied Asylum Seeking Children (UASC) - increased demand/cost	4,250	4,250	4,250	4,250
	G5	Demand management	-1,050	-1,150	-1,310	-2,290
		TOTAL	**18,100**	**25,950**	**34,490**	**43,310**
		ADULTS & COMMUNITIES				
**	G6	Older people - new entrants and increasing needs in community based services and residential admissions	17,080	22,640	28,425	34,505
**	G7	Learning Disabilities - new entrants including children transitions and people with complex needs	7,865	11,210	14,655	18,030
**	G8	Mental Health - new entrants in community based services and residential admissions	2,470	3,440	4,455	5,465
**	G9	Physical Disabilities - new entrants in community based services	2,040	2,705	3,400	4,110
	G10	Liberty Protection Safeguards Referral Growth	730	730	730	730
	G11	Shortfall of ICB/Discharge to Assess Income Support	3,200	3,200	3,200	3,200
	G12	Additional Service User Income from new growth to offset costs	-860	-2,775	-4,780	-6,860
	G13	Additional Health Income from new growth to offset costs	-2,950	-4,120	-5,330	-6,540
	G14	Increased Service User Income realigning to 2023/24 levels	-2,500	-2,500	-2,500	-2,500
	G15	Increased Health Income realigning to 2023/24 levels	-600	-600	-600	-600
	G16	Demand management	-2,180	-2,440	-2,730	-3,520
		TOTAL	**24,295**	**31,490**	**38,925**	**46,020**
		ENVIRONMENT & TRANSPORT				
		Highways & Transport				
**	G17	Special Educational Needs transport - increased client numbers/costs	1,925	3,695	5,115	6,780
	G18	Social Care Transport - increased journeys and demand	2,055	2,280	2,550	2,865
	G19	Highways Maintenance	555	555	0	0
	G20	Demand management - E&T Transport	-210	-230	-190	-390
		Total	4,325	6,300	7,475	9,255
		Environment & Waste				
*	G21	Contribution to Regional Waste Project (temporary growth removed)	-35	-35	-35	-35
*	G22	Confirm replacement - licensing costs	40	110	110	110
*	G23	STADs replacement - licensing costs	80	80	80	80
	G24	Waste Upholstered Domestic Seating (WUDS)	350	375	375	375
	G25	DIY Waste - loss of income	380	510	615	615
		Total	815	1,040	1,145	1,145
		Department Wide				
**	G26	HGV Driver Market Premia	435	530	555	555
		Total	435	530	555	555
		TOTAL E&T	**5,575**	**7,870**	**9,175**	**10,955**
		CHIEF EXECUTIVES				
	G27	Trading Standards - additional resources	150	150	150	150
	G28	Legal Services - additional Property & Environment Solicitors	140	140	140	140
	G29	Legal Services - additional ASC Solicitor	70	70	70	70
	G30	Demand management	-15	-15	-15	-15
		TOTAL	**345**	**345**	**345**	**345**
		CENTRAL ITEMS				
**	G31	Financial Arrangements - increased external audit fees	150	150	150	150
		TOTAL	**150**	**150**	**150**	**150**
		CORPORATE GROWTH				
**	G32	Growth contingency	0	9,660	19,380	28,685
		TOTAL	**0**	**9,660**	**19,380**	**28,685**
		TOTAL GROWTH	**48,465**	**75,465**	**102,465**	**129,465**
		Overall net additional growth		*27,000*	*27,000*	*27,000*

* items unchanged from previous Medium Term Financial Strategy

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

References				2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
			SAVINGS				
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							
			CHILDREN & FAMILY SERVICES				
**	CF1	Eff	Innovation Partnership - Creation of Assessment & Resource team and Hub and investment in residential accommodation	-1,000	-1,250	-1,500	-2,250
**	CF2	Eff	Departmental establishment modelling / Re-design	-100	-440	-1,240	-1,240
**	CF3	Eff/SR	Defining CFS For the Future Programme - Phase 2 (including Dept. efficiency savings and service reductions)	-525	-1,725	-2,025	-2,625
**	CF4	SR	Education Quality & Therapeutic Services Review	-355	-355	-355	-355
	CF5	Eff	Reduced Care Costs through growth of internal family based placements	-750	-1,250	-2,100	-3,100
	CF6	Eff	Defining CFS For the Future Programme 3: Smarter commissioning and procurement - Social Care Placements and externally commissioned services	-1,000	-2,900	-4,200	-5,950
	CF7	Eff	SEND Service re-design	0	-100	-250	-400
			TOTAL	**-3,730**	**-8,020**	**-11,670**	**-15,920**
			ADULTS & COMMUNITIES				
			Adult Social Care				
**	AC1	Inc	Increased income from fairer charging and removal of subsidy / aligning increases	-200	-300	-400	-500
*	AC2	Eff	Implementation of digital assistive technology to service users	-1,250	-1,250	-3,250	-3,250
*	AC3	Eff	Establishment Review following implementation of TOM programme	-500	-500	-500	-500
*	AC4	Eff	Review of Mental Health pathway and placements	0	0	-200	-200
**	AC5	Inc	Increased BCF income from annual uplift	-1,000	-2,000	-3,000	-4,000
*	AC6	Eff	Direct Payments commissioning efficiencies	-500	-500	-500	-500
**	AC7	Eff	Commissioning and implementation of revised Extra Care model	-130	-130	-130	-130
*	AC8	Inc	Review of Mental Health Section 117 funding arrangements	-250	-250	-250	-250
*	AC9	Eff	Improve consistency in hourly rates for DP's and promote use of personal assistants	-200	-360	-360	-360
**	AC10	Eff	Improving outcomes from homecare assessment and reablement team (HART) / community response service (CRS)	-1,270	-1,270	-1,270	-1,270
*	AC11	Eff	Alignment of HART/CRS services	-50	-50	-50	-50
*	AC12	Eff	Reprovision of in house day services	-150	-150	-150	-150
	AC13	Eff	Three Conversations Model	-500	-500	-500	-500
	AC14	Eff	Transforming Commissioning (Extra Care)	-60	-160	-240	-315
	AC15	Eff	Transforming Commissioning (Block Beds)	-50	-170	-300	-450
	AC16	Eff	Transforming Commissioning (Alternatives to homecare)	-100	-350	-700	-700
	AC17	Eff	Mental Health rehabilitation and recovery	-160	-160	-160	-160
	AC21	Inc	Additional income from service users following assessments	-255	-255	-255	-255
	AC22	Eff	Transforming Commisioning continuing review of contracts across all areas	-150	-300	-300	-300
			Total ASC	**-6,775**	**-8,655**	**-12,515**	**-13,840**
			Communities and Wellbeing				
*	AC18	Eff/SR	Implementation of revised service for communities and wellbeing	0	-40	-40	-40
*	AC19	SR	Review Green Plaque service	-25	-25	-25	-25
*	AC20	Inc/Eff	Review charging for Creative Learning Services	-50	-50	-50	-50
			Total C&W	**-75**	**-115**	**-115**	**-115**
			TOTAL A&C	**-6,850**	**-8,770**	**-12,630**	**-13,955**
			PUBLIC HEALTH				
*	PH1	Eff/SR	Redesign of integrated lifestyle service pathways	-100	-100	-100	-100
*	PH2	Eff/SR	Review of Commissioned services	0	-90	-90	-90
*	PH3	SR	Internal Infrastructure (physical activity)	-100	-100	-100	-100
*	PH4	Eff/SR	Review approach to homelessness support	-300	-300	-300	-300
*	PH5	SR	Review schools sustainable food award and gold food accreditation.	-150	-150	-150	-150
*	PH6	SR	Review Sport & Physical Activity programmes	-150	-150	-150	-150
	PH7	Eff	Quit Ready - Development of a Pharmacy Community Based Service Model	0	-50	-50	-50
			TOTAL	**-800**	**-940**	**-940**	**-940**
			ENVIRONMENT & TRANSPORT				
			Highways & Transport				
*	ET1	Eff/Inc	Street Lighting - design services to developers and installation of street lighting on their behalf	-10	-10	-10	-10

	References			2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
**	ET2	Eff	Assisted Transport Programme	0	-860	-1,210	-1,210
**	ET3	SR	Review application of subsidised bus policy, post Covid	0	-400	-400	-400
**	ET4	Inc/SR	Review approach to Park and Ride	0	-200	-400	-400
**	ET5	Eff/SR	Street Lighting - review energy reduction options, including reduced operation times	-280	-280	-280	-280
	ET6	SR	Ending of HS2 Programme	-280	-280	-280	-280
	ET7	Inc	Network Management incl. TTRO	-295	-295	-295	-295
	ET15	Inc	Fees & Charges Uplift - apply inflationary uplift to discretionary fees & charges across E&T functions that have not already uplifted their fees.	-80	-80	-80	-80
			Total	**-945**	**-2,405**	**-2,955**	**-2,955**
			Environment & Waste				
*	ET8	Eff/Inc	E&T Continuous Improvement Programme - review of processes and potential income across a range of services	-10	-10	-10	-10
*	ET9	Eff/Inc	Recycling & Household Waste Sites (RHWS) service approach	0	-110	-110	-110
**	ET10	Inc	Trade Waste income	0	-45	-90	-90
**	ET11	SR	Review RHWS provision (service investment fund to be used to reduce this saving by £0.1m)	-5	-400	-400	-400
	ET12	Eff/Inc	Extended Producer Responsibility for Packaging	0	-345	-745	-745
	ET13	Eff/Inc	Food Waste Implementation	0	130	-70	-185
	ET14	Eff/Inc	Residual Waste Treatment	-60	-60	-60	-60
	ET16	Inc	Fees & Charges Uplift - apply inflationary uplift to discretionary fees & charges across E&T functions that have not already uplifted their fees	-20	-20	-20	-20
	ET17	Eff	Reduction in line of business system licences	0	-10	-10	-10
			Total	**-95**	**-870**	**-1,515**	**-1,630**
			TOTAL E&T	**-1,040**	**-3,275**	**-4,470**	**-4,585**
			CHIEF EXECUTIVE				
*	CE1	SR/Eff	Staffing (vacancy control and agency reduction)	-50	-50	-50	-50
*	CE2	Inc	Planning, Historic and Natural Environment - fee income	-25	-25	-25	-25
*	CE3	Inc	Democratic Services income	-5	-10	-10	-10
	CE4	Eff	Democratic Services Staffing Review	-15	-15	-15	-15
	CE5	SR	Civic Hospitality Review	-20	-20	-20	-20
	CE6	Eff	Trading Standards Review	-15	-25	-35	-45
	CE7	Inc	Police and Crime Panel Contribution	-50	-50	-50	-50
	CE8	Inc	Registrars fees and income	-120	-120	-120	-120
	CE9	Eff	Legal Services -Court of Protection (COP) external costs	-15	-15	-15	-15
			TOTAL	**-315**	**-330**	**-340**	**-350**
			CORPORATE RESOURCES				
*	CR1	Eff/Inc	Ways of Working - Use of office space	-70	-780	-780	-780
*	CR2	Inc	Increase returns from Investing in Leicestershire Programme (IILP)	-100	-100	-100	-100
*	CR3	Inc	Place to Live - Accommodation income	-40	-40	-40	-40
*	CR4	Eff	Customer Programme	-110	-640	-640	-640
*	CR5	Eff	Operational Finance process improvement	-50	-100	-100	-100
*	CR6	Eff	Transformation Unit efficiencies	0	0	-70	-70
*	CR7	SR	Sale of Castle House	-15	-15	-15	-15
**	CR8	Eff	Energy Initiatives	-50	-100	-100	-100
*	CR9	Eff	ICT Efficiencies	-300	-600	-1,025	-1,025
**	CR10	Eff/SR	Reduce Property running costs	-35	-60	-60	-60
	CR11	Eff	Review of Mobile Phones Tariff	-90	-90	-90	-90
	CR12	Eff	Insurance claims management benefit	-150	-150	-150	-150
	CR13	Eff	Administrative efficiences	-100	-115	-115	-115
	CR14	Eff	Finance Services efficiencies	-25	-25	-25	-25
	CR15	Eff	Reduced cost of LCC Property Estate (Phase 2)	-155	-155	-155	-155
	CR16	Eff	People Services efficiencies	-35	-70	-70	-70
			TOTAL	**-1,325**	**-3,040**	**-3,535**	**-3,535**

	References			2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
			CENTRAL ITEMS				
*	CI1	Inc	Growth in ESPO income	-80	-80	-80	-80
*	CI2	SR	Review of Shire Grants programme	-50	-50	-50	-50
			TOTAL	**-130**	**-130**	**-130**	**-130**
			TOTAL SAVINGS including additional income	**-14,190**	**-24,505**	**-33,715**	**-39,415**
			MTFS net shortfall - savings required	**-6,377**	**-33,180**	**-59,580**	**-82,900**
			Gap in 2024/25 budget to be met from earmarked reserves	**6,377**			
			TOTAL SAVINGS REQUIRED - EXCLUDING DSG	**-14,190**	**-57,685**	**-93,295**	**-122,315**
			Dedicated Schools Grant - Deficit reduction activity				
			Transforming SEND & Inclusion in Leicestershire (TSIL) Programme defined opportunities	-3,790	-10,975	-19,195	-27,665
			Increase in Local Specialist Places	-2,480	-5,995	-9,870	-13,805
				-6,270	**-16,970**	**-29,065**	**-41,470**
			TOTAL SAVINGS REQUIRED - INCLUDING DSG	**-20,460**	**-74,655**	**-122,360**	**-163,785**

APPENDIX D

Savings Under Development

This appendix lists areas where departments are looking at the potential for additional savings which are not yet currently developed enough to be able to quantify and build into the detailed savings schedules.

Children and Family Services

Expand Establishment Modelling & Dynamic Modelling
Following Delivery of Establishment Modelling within the Defining Programmes in localities, there may be an opportunity to expand the approach across the department. Dynamic resourcing models identify any surplus/under-utilised resources that can be reprioritised in other localities or applicable services.

Section 106 Process Review
Potential to automate part of the S106 process to reduce staffing requirements and ensure all related costs are charged against the S106 funding.

Centralisation of Budgets
Centralise of some non-staffing budgets and bringing in tighter process controls to reduce overspends. The first call on these savings though will be to reduce existing budget pressures (to avoid growth) and address prior year gaps in department efficiencies.

Defining CFSF – Next Phases
At a very early stage, but ideas for potential savings, which are likely to be a combination of service reviews and reductions. These are being considered in a number of areas including a partnership approach to reducing referrals and reducing duplication.

Adults and Communities

Transitions review
The journey from child to adult social care is commonly described as 'transition.' It begins in Year 9 (age 13/14) and continues up to the age of 25. At present the Department's Young Adult Disability Team works directly with young people from around the age of 17/18. Transition is a process that happens over a period of time, during which services need to work flexibly to ensure each young person's individual circumstances are taken into account when planning the move into adulthood. Working with young people and their representatives, a successful transitions process should provide a near-seamless move between child and adult social care teams, enabling expectations around the process and potential progression to more independent living to be agreed at an earlier point.

It is hypothesised that if more active work is undertaken with young people receiving children's social care, their representatives and social care workers at an earlier age, savings could be achieved by having additional time to work with them to look at ways of reducing need or considering alternative approaches to meet outcomes.

A recent Health needs assessment suggested the Council should consider a 0-25 years' service which is delivered in some council areas. This will also be considered as part of the review.

Public Health

Service Efficiencies
A review of the costs of each interaction with service users to see what opportunities there are to provide services more efficiently whilst still delivering desired outcomes.

Selling some of the Council's current services workplaces
This will initially be explored in the County but given the ability of the public health service to deliver services in house, the opportunities to provide services outside Leicestershire could also be explored.

Environment & Transport

Fees & Charges
A more detailed review is being conducted of all fees and charges across 50 services (such as disabled bays, H-bars, road works permitting and penalties and other licences the Council charge for) to ensure that fees and charges are reflective of the full costs incurred by the Council.

Digitalising Time Sheets
Phasing out of using paper-based timesheets for E&T staff and moving to digital timesheets on electronic devices that can be input directly into Oracle financial and human resource management system for processing.

Fleet Efficiencies and Improvements
Amalgamation of previous smaller SUD's involving the management and maintenance of the Council fleet, these can be managed as a single initiative to provide greater clarity on benefits tracking. This SUD includes:

- Small Fleet Servicing and Inspection
- In source maintenance on Hire Fleet
- Operational improvements
- Review and optimise data from Fleet Asset Management System
- Review of Hire Fleet utilisation – reduction in hire costs
- Income generation opportunities through traded maintenance service offer

Commercialisation of Highways Operations
Amalgamation of various smaller income generation SUDs that can be managed as a single initiative to provide greater clarity on benefits tracking. This SUD includes:

- Highways Shop

- Outsourcing vehicle access construction
- Asset sponsorship
- Sign shop income

Focus on establishing and promoting a more commercial approach to operational services that have income generating opportunities. This will be a more longer-term approach and will require further analysis and planning.

Future Waste Transfer Station (WTS) and Trade Waste Commercial Work
The Council operates a WTS at Loughborough. With the insourcing of Whetstone RHWS and WTS, and the construction of Bardon WTS, there is an opportunity to optimise these assets with a view to maximising income generation.

Recycling and Household Waste Sites (RHWS) – Income and Service Efficiency
Amalgamation of previously discounted smaller income generation and service efficiency SUDs that can be managed as a single initiative to provide greater clarity on benefits tracking. This SUD will be subject to the outcome of the existing saving on RHWS changes as some aspects below would no longer be available if that saving is delivered:

a. Burnable waste;
b. Optimisation of recycling and separation on site;
c. On site sales/services;
d. Vehicles ban/restrictions to reduce non household waste;
e. POPs disposal/haulage cost reduction;
f. Review of compaction methods;
g. Review roles to optimise efficiencies in light of emerging savings challenges.

Environment/Net Zero

A review of the Council's environmental priorities and activity, including the Net Zero Strategy and Action Plan, to reflect potential changes to the Council's Net Zero targets.

Chief Executive's

Increasing income generation
Increase income generation from partners and other bodies by leveraging increases in existing charges and exploring further support provision. Areas in scope include but are not limited to: Business Intelligence, Ecology and heritage advice, Freeport Accountable Body and support services and additional Planning, Historic and Natural Environment fee income.

Service Efficiency Programme
The Transformation Unit is carrying out a rolling review of each service within the department to identify opportunities for efficiencies. The review commenced with Trading Standards (now completed) and has moved on to Democratic Services and Civic and Member Services in October 2023 and will be publishing its recommendations during the last quarter of the current financial year. The reviews require significant time from service areas and support services so timing and prioritisation will be essential. Potential savings

will be identified at the completion of each service review. Separately to these rolling reviews, some potential efficiencies have been identified which will be considered in more detail in the coming months.

Biodiversity Net Gain
The Biodiversity Net Gain (BNG) legislation brings an opportunity for the authority to implement a chargeable BNG advisory service. There has been limited guidance provided to date regarding statutory BNG requirements and its introduction has been delayed from the original November 2023 start date.

Corporate Resources

Country Parks
This will include a review of how the cafes within the parks are operated and potentially new cafes being introduced at other country parks (Watermead). The review will also review the amounts and structure of parking charges at the sites.

Property Services Review
Potential opportunities exist through the standardisation, digitalisation and automation of a number of print and mail related processes across LCC. Further efficiencies identified in the way mobile premises support services are structured and delivered. Efficiencies in the delivery of facilities' hosting and support services at County Hall and reduction in software license costs.

Service Efficiency Programme
Rolling service by service review to identify opportunities for services to be as efficient as possible starting with Operational and Strategic Property Services. Scoping commenced in September 2023.

Automation
Development and implementation of automated systems that can remove the need for manual intervention – driving further efficiencies and productivity internally. These systems will be implemented in areas where processes can be readily automated, with a series of proof of concepts being scoped to understand the art of the possible.
It is expected that automation will play a major role in delivery of many change initiatives across the authority.

Tax Opportunities
Third-party consultant providing expertise and resource to review any opportunities for further tax savings across the Council. Change recommendations would mostly be expected to relate to VAT although payroll taxes could also feature.

Reducing the Cost of the property estate
An challenge of every property asset is being undertaken to ensure that the estate is managed effectively and efficiently and that only those assets that are required for the ongoing delivery of strategic plan outcomes are retained.

A systematic geographic review of every asset, scoring it against a number of criteria but not exclusively: cost, condition, maintenance spend and energy to divide the estate into 4 categories:

- Those performing in line with benchmarking criteria.
- Those that meet most criteria e.g. location but require investment in repair and upgrade to meet environmental, energy or regulatory requirements.
- Those where other future service needs, and development is required.
- Building surplus to requirement.

Mobile Phone Estate

The number of smartphones and data connections across the authority was increased as a result of changing ways of working throughout the COVID-19 pandemic and beyond as smarter working was made an emphasis through the ways of working programme. There are now around 3000 active data connections across LCC.

With a large number of smartphones coming to the point of being refreshed, a full review is being undertaken to understand if these are all truly needed and to exploit advances in technology (including bring your own phone) to proactively reduce the number of connections and associated capital and revenue costs.

Criteria have been drafted around which functions and roles require a smartphone and is currently being tested to confirm the rationale before applying these changes across the authority.

Cross Cutting Organisation Wide Programmes

Review of Social care

Given the ever-increasing impact social care services are having on the local authority budget, it is necessary to keep all aspects of the service under fundamental review to mitigate and ultimately reduce the impact of increased level of demand, complexity of need and overall cost of delivery. The specific reviews referenced below will all contribute to this, but there will also need to be work done within each specific service area to complement the benefits of these wider cross cutting reviews and deliver specific improvements to process and practice.

Sustainable Support Services Programme

The sustainable support service programme aims to deliver the vision that Leicestershire County Council has the right tools and most cost effective and efficient level of support to deliver its services. This programme will review the end-to-end support in place within all departments to ensure the right people, right tools, and right support is in place across the council - making the most efficient use of resource, technology and process design to maximise productivity and compliance. The programme will focus on efficiency of back-office functions designed to support the delivery of the wider council’s operations.

Prevention Review

The prevention review will take a systemic approach to retaining and investing in prevention activity that offers the best value in reducing demand on the County Council's high-cost services at the lowest cost.

Potential savings are anticipated through:

- A reduction in prevention-based activity that is unable to evidence future cost and/or demand reduction, particularly impacting on demand for the highest cost services
- The substitution of existing funding for prevention activity through other income
- streams such as grant funding
- The transfer of council activity to other parties
- Increasing efficiency and/or productivity to enable activity to continue at a lower cost
- Possible further investment using savings secured from elsewhere in prevention-based activity that can evidence a reduction in medium-term future spend on top of the investment and are dependent upon sound financial business cases.

A diagnostic exercise is underway that will review the baseline cost of prevention to the organisation, look to benchmark and consider best practice from other organisations around Prevention, and develop recommendations for change based on the principles above.

Customer Programme

The vision for the customer programme is that "People will be able to get what they need from services quicker and easier, the Department will create sustainable and accessible customer interactions across the council". The programme will develop a future target operating model for how the council interact with its external customers, within this creating clarity around the role of the Customer Service Centre and efficiencies available to departments, changes will be underpinned by:

- The need to deliver services with less money.
- Leveraging digital channels for those that can.
- Ensuring services are accessible; people will be directed to the most appropriate channel to meet their needs.
- Being data driven; any changes the Department makes are measurable and adds value.
- Reducing the steps involved in processes so that its easier for customers to do the things they need to do.

Automation

Development and implementation of automated systems that can remove the need for manual intervention – driving further efficiencies and productivity internally. These systems will be implemented in areas where processes can be readily automated, with a series of proof of concepts being scoped to understand the art of the possible.
It is expected that automation will play a major role in delivery of many change initiatives across the authority.

Data Strategy

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

Work is now underway with officers across all departments to understand strategic drivers and shape the development of the strategy, approach and potential benefits of this important work.

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CHILDREN & FAMILY SERVICES DEPARTMENT

APPENDIX E

REVENUE BUDGET 2024/25

Net Budget 2023/24		*	Employees	Running Expenses	Internal Income	Gross Budget	External Income	Net Budget 2024/25	Schools	Early Years	High Needs	Dedicated Schools Grant	LA Block
£			£	£	£	£	£	£	£	£	£	£	£
1,498,930	**C&FS Directorate**	B	**1,380,990**	**117,940**	**0**	**1,498,930**	**0**	**1,498,930**	**18,120**	**43,630**	**150,800**	**212,550**	**1,286,380**
2,749,550	C&FS Safeguarding	S	2,968,500	195,850	-414,800	2,749,550	0	2,749,550	0	0	0	0	2,749,550
132,720	LSCB	S	330,220	309,290	-67,450	572,060	-439,340	132,720	0	0	0	0	132,720
2,882,270	**Safeguarding, Improvement & QA**		**3,298,720**	**505,140**	**-482,250**	**3,321,610**	**-439,340**	**2,882,270**	**0**	**0**	**0**	**0**	**2,882,270**
1,721,670	Asylum Seekers	S	1,567,060	14,472,440	0	16,039,500	-10,067,830	5,971,670	0	0	0	0	5,971,670
3,966,110	C&FS Fostering & Adoption	S	3,582,250	383,860	0	3,966,110	0	3,966,110	0	0	0	0	3,966,110
44,605,700	C&FS Operational Placements	S	0	55,774,680	0	55,774,680	-424,390	55,350,290	0	0	0	0	55,350,290
4,097,540	Children in Care Service	S	3,555,840	770,210	0	4,326,050	-228,510	4,097,540	0	0	0	0	4,097,540
1,801,570	C&FS Adoption	S	1,696,630	126,440	0	1,823,070	-21,500	1,801,570	0	0	0	0	1,801,570
56,192,590	**Children in Care**		**10,401,780**	**71,527,630**	**0**	**81,929,410**	**-10,742,230**	**71,187,180**	**0**	**0**	**0**	**0**	**71,187,180**
6,080,400	CPS North	S	4,362,450	1,717,950	0	6,080,400	0	6,080,400	0	0	0	0	6,080,400
4,644,530	CPS South	S	4,369,230	275,300	0	4,644,530	0	4,644,530	0	0	0	0	4,644,530
1,219,590	Childrens Management	S	488,330	957,500	-226,240	1,219,590	0	1,219,590	0	0	0	0	1,219,590
3,372,870	C&FS First Response	S	3,362,010	45,860	0	3,407,870	-35,000	3,372,870	0	0	0	0	3,372,870
1,092,670	Child Sexual Exploitation Team	B	916,290	176,380	0	1,092,670	0	1,092,670	0	0	0	0	1,092,670
4,033,300	C&FS Disabled Children	S	1,023,950	3,009,350	0	4,033,300	0	4,033,300	0	0	0	0	4,033,300
20,443,360	**Field Social Work**		**14,522,260**	**6,182,340**	**-226,240**	**20,478,360**	**-35,000**	**20,443,360**	**0**	**0**	**0**	**0**	**20,443,360**
574,520	**Practice Excellence**	B	**575,420**	**45,100**	**0**	**620,520**	**-46,000**	**574,520**	**0**	**0**	**0**	**0**	**574,520**
306,730	**C&FS Community Safety**	B	**340,920**	**2,361,690**	**-1,158,390**	**1,544,220**	**-1,240,440**	**303,780**	**0**	**0**	**0**	**0**	**303,780**
4,135,850	C&FS CFWS East	B	3,814,290	360,270	-109,090	4,065,470	0	4,065,470	0	0	0	0	4,065,470
4,981,510	C&FS CFWS West	B	4,657,630	750,520	-122,460	5,285,690	-309,650	4,976,040	0	0	0	0	4,976,040
3,556,090	C&FS CFWS Youth	B	4,535,880	927,870	-685,350	4,778,400	-1,216,250	3,562,150	0	0	0	0	3,562,150
409,210	C&FS CFWS Central	B	75,000	359,170	0	434,170	-19,770	414,400	0	0	0	0	414,400
-2,342,440	C&FS Troubled Families Pooled Budget	B	25,000	318,130	-932,320	-589,190	-1,688,650	-2,277,840	0	0	0	0	-2,277,840
10,740,220	**Children in Care**		**13,107,800**	**2,715,960**	**-1,849,220**	**13,974,540**	**-3,234,320**	**10,740,220**	**0**	**0**	**0**	**0**	**10,740,220**
1,181,650	**Education Suffciency**	B	**1,579,220**	**28,670**	**0**	**1,607,890**	**-244,070**	**1,363,820**	**427,240**	**0**	**0**	**427,240**	**936,580**
40,694,080	C&FS 0-5 Learning	S	2,749,030	61,944,540	-100,000	64,593,570	-67,660	64,525,910	0	62,514,250	1,642,230	64,156,480	369,430
600,540	C&FS 5-19 Learning	B	905,450	495,800	-381,970	1,019,280	-218,930	800,350	363,210	0	0	363,210	437,140
4,137,060	Inclusion	S	1,746,930	3,860,860	-177,510	5,430,280	-491,950	4,938,330	0	0	3,717,330	3,717,330	1,221,000
1,658,400	Oakfield	S	0	1,794,020	0	1,794,020	0	1,794,020	0	0	1,425,000	1,425,000	369,020
0	Music Services	B	1,833,970	361,700	-85,700	2,109,970	-2,109,970	0	0	0	0	0	0
643,180	Education of Children in Care	B	974,410	1,603,810	-546,020	2,032,200	-1,621,230	410,970	0	0	0	0	410,970
47,733,260	**Education Quality & inclusion**		**8,209,790**	**70,060,730**	**-1,291,200**	**76,979,320**	**-4,509,740**	**72,469,580**	**363,210**	**62,514,250**	**6,784,560**	**69,662,020**	**2,807,560**
107,951,710	C&FS SEN	S	1,954,460	113,065,570	-729,500	114,290,530	0	114,290,530	0	0	112,665,760	112,665,760	1,624,770
2,423,670	C&FS Specialist Services to Vulnerable Groups	B	2,801,810	239,540	-437,240	2,604,110	-180,440	2,423,670	0	0	2,423,670	2,423,670	0
1,323,240	C&FS Psychology Service	B	1,727,150	-14,910	-124,000	1,588,240	-265,000	1,323,240	0	0	0	0	1,323,240
1,246,060	HNB Development Programme	D	258,990	998,080	-11,100	1,245,970	0	1,245,970	0	0	1,245,970	1,245,970	0
-13,332,660	DSG Reserve income	N/A	0	0	-17,021,580	-17,021,580	0	-17,021,580	0	0	-17,021,580	-17,021,580	0
99,612,020	**SEND & Children with Disabilities**		**6,742,410**	**114,288,280**	**-18,323,420**	**102,707,270**	**-445,440**	**102,261,830**	**0**	**0**	**99,313,820**	**99,313,820**	**2,948,010**
7,079,220	C&FS Business Support	B	7,094,510	393,320	-324,810	7,163,020	0	7,163,020	8,570	400,650	223,540	632,760	6,530,260
2,285,220	Central Charges	B	0	2,285,220	0	2,285,220	0	2,285,220	1,434,680	210,850	639,690	2,285,220	0
-482,530	C&FS Finance	B	0	747,310	-2,644,880	-1,897,570	0	-1,897,570	747,310	0	0	747,310	-2,644,880
1,349,900	C&FS Human Resources	S	1,399,900	0	0	1,399,900	-50,000	1,349,900	674,900	0	0	674,900	675,000
873,960	C&FS Commissioning & Planning	B	933,960	1,554,100	-64,520	2,423,540	-1,549,600	873,940	0	0	0	0	873,940
558,020	C&FS Sub Transformation	S	112,020	1,245,990	0	1,358,010	0	1,358,010	0	0	0	0	1,358,010
11,663,790	**Business Support & Commissioning**		**9,540,390**	**6,225,940**	**-3,034,210**	**12,732,120**	**-1,599,600**	**11,132,520**	**2,865,460**	**611,500**	**863,230**	**4,340,190**	**6,792,330**
-148,028,080	C&FS Dedicated Schools Grant	S	0	14,129,810	-400,550	13,729,260	-189,473,540	-175,744,280	-3,977,800	-63,169,380	-108,597,100	-175,744,280	0
495,365,200	Delegated School Budgets	S	0	535,199,000	0	535,199,000	-12,055,430	523,143,570	521,658,880	0	1,484,690	523,143,570	0
-493,633,860	Delegated Dedicated Schools Grant	S	0	0	0	0	-521,355,110	-521,355,110	-521,355,110	0	0	-521,355,110	0
0	Dedicated Schools Grant Recoupment	S	0	-402,150,480	0	-402,150,480	402,150,480	0	0	0	0	0	0
-146,296,740	**C&FS Other**		**0**	**147,178,330**	**-400,550**	**146,777,780**	**-320,733,600**	**-173,955,820**	**-3,674,030**	**-63,169,380**	**-107,112,410**	**-173,955,820**	**0**
106,532,600	**Total**		**69,699,700**	**421,237,750**	**-26,765,480**	**464,171,970**	**-343,269,780**	**120,902,190**	**0**	**0**	**0**	**0**	**120,902,190**

*** S/D/B** : indicates that the service is **S**tatutory, **D**iscretionary or a combination of **B**oth

APPENDIX E

ADULTS AND COMMUNITIES DEPARTMENT

REVENUE BUDGET 2024/25

Net Budget 2023/24 £		*	Employees £	Running Expenses £	Internal Income £	Gross Budget £	External Income £	Net Budget 2024/25 £
	Care Pathway - Operational Commissioning							
1,020,810	Heads of Service (OC) & Lead Practitioners	S	1,044,660	48,000	0	1,092,660	-62,960	1,029,700
7,720,290	Cognitive & Physical Disability (C&PD)	S	6,296,440	2,343,640	0	8,640,080	-657,880	7,982,200
4,573,220	Learning Disability & Autism (LD&A)	S	4,961,180	69,560	-39,520	4,991,220	-436,870	4,554,350
7,373,420	Mental Health & Safeguarding (MH&S)	S	8,447,460	2,383,190	-82,980	10,747,670	-2,679,000	8,068,670
20,687,740	**TOTAL**		**20,749,740**	**4,844,390**	**-122,500**	**25,471,630**	**-3,836,710**	**21,634,920**
	Care Pathway - Integration, Access & Prevention							
398,980	Heads of Service (IAP) & Strategic Service Managers	S	517,430	265,290	0	782,720	-737,200	45,520
2,990	Integration Team	D	233,140	179,000	-11,070	401,070	-401,070	0
3,007,650	Access & Digital Services	S	4,095,440	1,293,510	-186,990	5,201,960	-2,124,010	3,077,950
9,744,070	Home First	S	13,234,170	845,830	-21,390	14,058,610	-4,284,320	9,774,290
662,780	Social Care Investment	B	402,310	250,650	0	652,960	0	652,960
13,816,470	**TOTAL**		**18,482,490**	**2,834,280**	**-219,450**	**21,097,320**	**-7,546,600**	**13,550,720**
	Direct Services							
147,200	Direct Services Managers	S	558,800	5,400	0	564,200	0	564,200
5,293,840	Supported Living, Residential and Short Breaks	S	4,871,400	189,770	0	5,061,170	-4,000	5,057,170
1,833,990	CLC / Day Services	S	0	0	0	0	0	0
368,670	Shared Lives Team	D	292,990	40,570	0	333,560	0	333,560
150,090	Direct Services Review	S	0	125,620	0	125,620	0	125,620
7,793,790	**TOTAL**		**5,723,190**	**361,360**	**0**	**6,084,550**	**-4,000**	**6,080,550**
	Early Intervention & Prevention							
652,110	Extra Care	S	0	338,210	0	338,210	0	338,210
96,000	Eligible Services	B	0	377,430	0	377,430	-281,430	96,000
790,610	Secondary (e.g. Carers & Community Assessments)	B	0	1,272,010	0	1,272,010	-465,000	807,010
404,160	Tertiary (e.g. Advocacy)	B	0	750,840	-54,000	696,840	-297,420	399,420
1,942,880	**TOTAL**		**0**	**2,738,490**	**-54,000**	**2,684,490**	**-1,043,850**	**1,640,640**
	Strategic Services							
215,180	Heads of Strategic Services	S	218,360	1,400	0	219,760	0	219,760
2,059,620	Business Support & Strategy and Planning	S	1,800,660	283,820	-20,350	2,064,130	0	2,064,130
1,964,610	Commissioning & Quality	S	2,696,110	136,130	-30,880	2,801,360	-941,210	1,860,150
4,239,410	**TOTAL**		**4,715,130**	**421,350**	**-51,230**	**5,085,250**	**-941,210**	**4,144,040**
	Demand Led Commissioned Services							
84,872,070	Residential & Nursing Care	S	0	131,313,360	0	131,313,360	-42,041,290	89,272,070
1,631,670	Shared Lives Residential	S	0	1,631,670	0	1,631,670	0	1,631,670
34,213,820	Supported Living	S	0	42,313,820	0	42,313,820	0	42,313,820
39,337,790	Home Care	S	0	46,592,790	0	46,592,790	0	46,592,790
44,505,690	Direct Cash Payments	S	0	44,035,690	0	44,035,690	0	44,035,690
7,164,300	Community Life Choices (CLC)	S	0	8,877,690	0	8,877,690	0	8,877,690
535,750	Shared Lives - CLC	S	0	535,750	0	535,750	0	535,750
-30,191,170	Non-Residential Income	S	0	0	0	0	-34,168,170	-34,168,170
182,069,920	**TOTAL**		**0**	**275,300,770**	**0**	**275,300,770**	**-76,209,460**	**199,091,310**
-26,990,030	**Better Care Fund (Balance)**	S	0	19,897,400	0	19,897,400	-44,687,400	-24,790,000
1,507,810	**Department Senior Management**	S	949,330	434,590	32,250	1,416,170	-211,230	1,204,940
205,067,990	**TOTAL ASC**		**50,619,880**	**306,832,630**	**-414,930**	**357,037,580**	**-134,480,460**	**222,557,120**
	Communities and Wellbeing							
326,520	C&W Senior Management	B	350,130	6,150	-15,000	341,280	0	341,280
2,180,490	Libraries Operational	S	2,259,070	312,940	-7,660	2,564,350	-380,960	2,183,390
1,166,760	Libraries Resources	S	290,350	899,020	0	1,189,370	-23,000	1,166,370
966,480	Museums & Heritage	D	1,032,200	350,700	0	1,382,900	-413,890	969,010
457,820	Participation	D	445,390	20,200	-32,210	433,380	0	433,380
1,061,600	Collections & Learning	B	1,418,950	275,740	0	1,694,690	-677,720	1,016,970
0	Externally Funded Projects	D	328,010	140,320	-9,410	458,920	-449,760	9,160
7,740	Adult Learning	D	5,002,620	1,652,060	-591,550	6,063,130	-6,063,130	0
-3,720	C&W Efficiencies		0	0	0	0	0	0
6,163,690	**TOTAL C&W**		**11,126,720**	**3,657,130**	**-655,830**	**14,128,020**	**-8,008,460**	**6,119,560**
211,231,680	**TOTAL ADULTS & COMMUNITIES**		**61,746,600**	**310,489,760**	**-1,070,760**	**371,165,600**	**-142,488,920**	**228,676,680**

*** S/D/B** : indicates that the service is **S**tatutory, **D**iscretionary or a combination of **B**oth

APPENDIX E

PUBLIC HEALTH DEPARTMENT

REVENUE BUDGET 2024/25

Net Budget 2023/24 £		*	Employees £	Running Expenses £	Internal Income £	Gross Budget	External Income £	Net Budget 2024/25 £
-27,086,930	**Public Health Ring-Fenced Grant**		0	0	0	0	-27,443,860	-27,443,860
	Department							
2,885,960	Public Health Leadership	B	3,077,860	619,900	-724,230	2,973,530	-257,860	2,715,670
1,098,110	Local Area Co-ordination	B	1,854,380	132,890	-643,630	1,343,640	-340,940	1,002,700
473,210	Quit Ready	B	936,290	408,440	-74,680	1,270,050	-791,410	478,640
350,330	First Contact Plus	B	400,770	0	-110,720	290,050	-187,840	102,210
142,480	Other Public Health Services	B	30,330	179,750	-31,330	178,750	0	178,750
794,410	Programme Delivery	B	1,057,210	383,250	-622,220	818,240	-30,590	787,650
310,720	Public Health Advice	B	0	10,720	0	10,720	0	10,720
337,840	Weight Management Service	B	316,110	33,250	-33,430	315,930	-10,000	305,930
48,050	Mental Health	B	50,920	97,500	0	148,420	-120,920	27,500
6,441,110	**Total**		**7,723,870**	**1,865,700**	**-2,240,240**	**7,349,330**	**-1,739,560**	**5,609,770**
8,559,340	**0-19 Childrens Public Health**	**S**	83,800	9,406,540	-731,000	8,759,340	0	8,759,340
	Health Related Harms							
384,700	Domestic Violence	S	0	416,380	-37,500	378,880	0	378,880
4,042,040	Sexual Health	S	0	4,347,070	0	4,347,070	-100,000	4,247,070
400,000	NHS Health Check programme	S	0	450,000	0	450,000	0	450,000
4,028,810	Substance Misuse	S	0	5,922,540	-120,000	5,802,540	-1,773,730	4,028,810
8,855,550	**Total**		**0**	**11,135,990**	**-157,500**	**10,978,490**	**-1,873,730**	**9,104,760**
	Physical Activity and Obesity							
1,145,950	Physical Activity	B	0	895,950	0	895,950	0	895,950
190,000	Obesity Programmes	B	0	10,000	0	10,000	0	10,000
1,335,950	**Total**		**0**	**905,950**	**0**	**905,950**	**0**	**905,950**
18,870	**Health Protection**	**B**	580,090	39,950	-185,570	434,470	-46,540	387,930
70,000	**Tobacco Control**	**B**	0	70,000	0	70,000	0	70,000
0	**Active Together**	**B**	1,353,050	1,250,370	-718,790	1,884,630	-1,884,630	0
-1,806,110	**TOTAL PUBLIC HEALTH**		**9,740,810**	**24,674,500**	**-4,033,100**	**30,382,210**	**-32,988,320**	**-2,606,110**

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APPENDIX E

ENVIRNOMENT & TRANSPORT DEPARTMENT

REVENUE BUDGET 2024/25

Net Budget 2023/24		*	Employees	Running Expenses	Internal Income	Gross Budget	External Income	Net Budget 2024/25
£			£	£	£	£	£	£
	HIGHWAYS & TRANSPORT							
	Development & Growth							
1,151,680	Development & Growth	S/D	1,615,490	651,950	-338,460	1,928,980	-717,350	1,211,630
281,770	HS2	S/D	0	0	0	0	0	0
	H & T Commissioning							
3,386,250	H & T Staffing & Admin	S/D	6,663,010	3,040,380	-5,260,560	4,442,830	-1,175,890	3,266,940
	H & T Network Management							
1,667,310	Traffic controls	S	0	1,703,110	0	1,703,110	-26,500	1,676,610
637,340	Road Safety	S	825,410	760,580	-411,080	1,174,910	-419,640	755,270
0	Speed Awareness	S	272,120	2,352,720	-20,800	2,604,040	-2,604,040	0
209,150	Sustainable Travel	D	317,170	456,710	-544,660	229,220	0	229,220
911,250	H & T Network Staffing & Admin	S/D	5,257,140	87,130	-707,700	4,636,570	-3,285,280	1,351,290
10,760	Civil Parking Enforcement	S	0	1,284,560	0	1,284,560	-1,273,800	10,760
78,590	Blue badge	S	0	228,200	0	228,200	-150,000	78,200
0	Joint Arrangements	D	0	424,110	-100,800	323,310	-323,310	0
2,395,830	Public Bus Services	S/D	0	10,026,170	-838,810	9,187,360	-6,791,530	2,395,830
4,080,500	Concessionary Travel	S	0	4,091,250	0	4,091,250	-22,780	4,068,470
	Highways and Transport Operations							
	Highways Operations Services							
5,117,830	Staffing & Admin Delivery	S/D	4,545,870	252,070	-1,434,300	3,363,640	-111,300	3,252,340
4,929,560	Environmental Maintenance	S	1,808,520	3,751,200	0	5,559,720	-72,000	5,487,720
2,308,000	Reactive Maintenance	S	500,150	1,879,940	0	2,380,090	0	2,380,090
2,130,460	Winter Maintenance	S	872,130	1,060,060	0	1,932,190	0	1,932,190
	Assisted Transport Services							
1,856,760	Staffing & Admin Resourcing	S	2,686,010	23,670	-926,720	1,782,960	0	1,782,960
21,962,830	SEN Transport	S	50,000	24,215,990	-100,000	24,165,990	-139,600	24,026,390
3,893,380	Mainstream School Transport	S	0	5,071,920	0	5,071,920	-1,194,140	3,877,780
4,636,500	Social Care Transport	S/D	0	7,047,890	-110,000	6,937,890	-188,800	6,749,090
221,580	Passenger Fleet	S/D	4,935,700	1,684,330	-6,280,940	339,090	-111,760	227,330
	Highway and Transport Technical Support Service							
4,024,760	Street Lighting Maintenance	S/D	437,680	3,304,520	0	3,742,200	-93,640	3,648,560
352,560	H & T Operations Management	S/D	478,420	5,320	-8,600	475,140	0	475,140
177,740	Staffing, Admin & Depot Overheads	S/D	11,802,860	2,863,700	-10,216,190	4,450,370	-3,261,580	1,188,790
27,500	Cyclic Maintenance	S/D	1,320	33,120	0	34,440	0	34,440
7,170	Fleet Services	D	747,460	1,374,470	-2,137,470	-15,540	-66,340	-81,880
66,457,060	**TOTAL**		**43,816,460**	**77,675,070**	**-29,437,090**	**92,054,440**	**-22,029,280**	**70,025,160**
	Environment & Waste Management							
446,650	Management	S/D	461,650	1,900	0	463,550	0	463,550
	Environment & Waste Management Commissioning							
1,464,140	Staffing and Admin	S/D	1,630,000	5,700	-76,480	1,559,220	-14,840	1,544,380
706,540	Initiatives	S/D	242,530	870,360	-125,750	987,140	-302,420	684,720
50,000	Recycling & Reuse credits	S	0	50,000	0	50,000	0	50,000
	Waste Management Delivery							
384,680	Staffing & Admin	S	607,310	257,960	-171,000	694,270	0	694,270
3,597,240	Landfill	S	0	3,977,870	0	3,977,870	0	3,977,870
16,720,650	Treatment & Contracts	S	0	16,630,020	0	16,630,020	0	16,630,020
2,563,000	Dry Recycling	S	0	3,228,000	0	3,228,000	-665,000	2,563,000
1,989,000	Composting Contracts	S	0	1,989,000	0	1,989,000	0	1,989,000
4,371,970	Recycling & Household Waste	S	3,648,830	2,097,480	-77,000	5,669,310	-587,370	5,081,940
2,376,930	Haulage & Waste Transfer	S	500,450	1,845,600	-5,000	2,341,050	0	2,341,050
-1,548,000	Income	S/D	0	0	0	0	-1,548,000	-1,548,000
-62,000	WEEE Funding	S/D	0	0	0	0	-82,000	-82,000
33,060,800	**TOTAL**		**7,090,770**	**30,953,890**	**-455,230**	**37,589,430**	**-3,199,630**	**34,389,800**
	Departmental & Business Management							
2,269,750	Management & Admin	S/D	2,408,930	128,550	-82,830	2,454,650	-6,000	2,448,650
1,355,300	Departmental Costs	D	56,000	1,055,980	-116,000	995,980	-181,670	814,310
3,625,050	**TOTAL**		**2,464,930**	**1,184,530**	**-198,830**	**3,450,630**	**-187,670**	**3,262,960**
103,142,910	**TOTAL ENVIRONMENT & TRANSPORT**		**53,372,160**	**109,813,490**	**-30,091,150**	**133,094,500**	**-25,416,580**	**107,677,920**

APPENDIX E

CHIEF EXECUTIVE'S DEPARTMENT

REVENUE BUDGET 2024/25

Net Budget 2023/24 £		*	Employees £	Running Expenses £	Internal Income £	Gross Budget	External Income £	Net Budget 2024/25 £
	DEMOCRATIC SERVICES, ADMIN & CIVIC AFFAIRS							
1,511,340	Democratic Services and Administration	D	1,496,210	88,850	0	1,585,060	-122,500	1,462,560
69,000	Subscriptions	D	0	69,000	0	69,000	0	69,000
139,470	Civic Affairs	D	33,660	91,810	0	125,470	-6,000	119,470
1,719,810	**TOTAL**		**1,529,870**	**249,660**	**0**	**1,779,530**	**-128,500**	**1,651,030**
4,636,890	**LEGAL SERVICES**	D	4,282,380	1,718,830	-645,690	5,355,520	-542,000	4,813,520
	STRATEGY AND BUSINESS INTELLIGENCE							
1,806,200	Business Intelligence	D	2,361,840	205,370	-538,190	2,029,020	-235,050	1,793,970
1,515,820	Policy and Communities	B	873,000	1,078,540	-45,090	1,906,450	-399,440	1,507,010
1,428,100	Growth Service	B	1,005,250	270,270	-20,170	1,255,350	-11,300	1,244,050
685,480	Management and Administration	B	735,760	2,800	-56,110	682,450	0	682,450
5,435,600	**TOTAL**		**4,975,850**	**1,556,980**	**-659,560**	**5,873,270**	**-645,790**	**5,227,480**
369,280	**EMERGENCY MANAGEMENT AND RESILIEN**	S	802,120	184,540	-82,600	904,060	-534,780	369,280
	REGULATORY SERVICES							
1,970,700	Trading Standards	B	2,238,860	138,000	-60,000	2,316,860	-201,050	2,115,810
1,596,810	Coroners	S	0	1,596,810	0	1,596,810	0	1,596,810
101,370	Registrars	S	1,280,830	65,400	0	1,346,230	-1,367,200	-20,970
3,668,880	**TOTAL**		**3,519,690**	**1,800,210**	**-60,000**	**5,259,900**	**-1,568,250**	**3,691,650**
505,840	**PLANNING SERVICES**	B	1,574,100	161,910	-29,910	1,706,100	-1,038,540	667,560
-82,960	**DEPARTMENTAL ITEMS**	D	11,880	-159,830	10,780	-137,170	0	-137,170
16,253,340	**TOTAL CHIEF EXECUTIVES**		**16,695,890**	**5,512,300**	**-1,466,980**	**20,741,210**	**-4,457,860**	**16,283,350**

*** S/D/B** : indicates that the service is **S**tatutory, **D**iscretionary or a combination of **B**oth

APPENDIX E

CORPORATE RESOURCES DEPARTMENT

REVENUE BUDGET 2024/25

Net Budget 2023/24 £		*	Employees £	Running Expenses £	Internal Income £	Gross Budget £	External Income £	Net Budget 2024/25 £
	AD Finance, Strategic Property and Commissioning							
2,966,670	Strategic Property	D	2,297,940	1,650,880	-557,660	3,391,160	-414,490	2,976,670
2,337,800	Audit and Insurance	S	1,902,480	3,339,170	-1,328,840	3,912,810	-1,725,010	2,187,800
4,981,510	Strategic Finance and Pensions	S	6,850,470	458,920	-2,128,120	5,181,270	-224,760	4,956,510
647,230	Corporate Resources Unallocated	D	113,190	538,040	-154,000	497,230	0	497,230
1,286,980	Commissioning Support	B	1,420,930	35,130	-105,000	1,351,060	-64,080	1,286,980
12,220,190			**12,585,010**	**6,022,140**	**-4,273,620**	**14,333,530**	**-2,428,340**	**11,905,190**
2,494,640	**East Midlands Shared Services**	B	**4,483,470**	**2,147,700**	**-351,060**	**6,280,110**	**-3,785,470**	**2,494,640**
	AD IT, Communications & Digital, Customer Services							
12,937,130	Information Technology	B	8,234,950	5,053,740	-741,570	12,547,120	0	12,547,120
1,305,140	Communications & Digital Services	D	1,490,760	213,770	-390,090	1,314,440	-9,300	1,305,140
1,384,710	Customer Service	D	1,415,090	-39,620	-100,760	1,274,710	0	1,274,710
15,626,980			**11,140,800**	**5,227,890**	**-1,232,420**	**15,136,270**	**-9,300**	**15,126,970**
	Commercialism							
	LTS Catering							
154,470	Leisure & Hospitality	D	676,020	627,460	-13,290	1,290,190	-1,135,710	154,480
484,700	Education Catering	D	10,785,330	5,184,650	-2,399,880	13,570,100	-13,085,400	484,700
18,070	Beaumanor	D	1,294,620	725,350	-25,600	1,994,370	-1,976,300	18,070
27,520	Country Parks	D	562,750	426,270	0	989,020	-961,500	27,520
684,760			13,318,720	6,963,730	-2,438,770	17,843,680	-17,158,910	684,770
	LTS Professional & Other Services							
-43,220	Bursar Service	D	187,270	14,540	-50,030	151,780	-195,000	-43,220
-102,490	LEAMIS	D	609,290	206,400	-653,180	162,510	-265,000	-102,490
-57,200	HR Services	D	1,143,330	85,140	-140,530	1,087,940	-1,145,140	-57,200
-202,910			1,939,890	306,080	-843,740	1,402,230	-1,605,140	-202,910
-809,440	**LTS Infrastructure**	D	235,460	121,430	-1,066,330	-709,440	0	-709,440
-327,590	**Total Commercialism**		**15,494,070**	**7,391,240**	**-4,348,840**	**18,536,470**	**-18,764,050**	**-227,580**
	AD Corporate Services							
	Operational Property							
5,698,700	Building Running Costs	B	219,320	6,451,250	-185,000	6,485,570	-1,229,370	5,256,200
2,835,300	Building Maintenance	B	0	4,177,800	-1,350,000	2,827,800	0	2,827,800
2,242,120	Operational Property	B	2,189,840	244,280	-217,000	2,217,120	0	2,217,120
80,310	Traveller Services	B	264,890	59,760	-15,000	309,650	-229,340	80,310
10,856,430			2,674,050	10,933,090	-1,767,000	11,840,140	-1,458,710	10,381,430
	Corporate Services							
1,076,100	Business Support Services	B	1,160,000	166,140	-232,610	1,093,530	-17,440	1,076,090
703,920	Management	B	734,540	11,140	-41,760	703,920	0	703,920
2,348,150	Human Resources	B	2,769,360	102,610	-545,120	2,326,850	-13,700	2,313,150
1,493,520	Learning & Development	B	1,727,840	81,130	-148,770	1,660,200	-166,680	1,493,520
-259,480	LTS Property Services	B	3,194,140	1,500,670	-3,849,310	845,500	-1,104,980	-259,480
1,712,630	Transformation	D	4,197,350	19,000	-2,503,720	1,712,630	0	1,712,630
0	Transformation Projects	D	0	268,000	-268,000	0	0	0
7,074,840			13,783,230	2,148,690	-7,589,290	8,342,630	-1,302,800	7,039,830
17,931,270			**16,457,280**	**13,081,780**	**-9,356,290**	**20,182,770**	**-2,761,510**	**17,421,260**
	Investing in Leicestershire Programme							
-615,300	Rural	D	0	674,540	0	674,540	-1,289,840	-615,300
-1,204,970	Industrial	D	0	1,060,600	-250,000	810,600	-2,015,570	-1,204,970
-4,391,400	Office	D	0	1,399,170	0	1,399,170	-5,890,570	-4,491,400
-2,237,820	Other	D	0	1,910,910	0	1,910,910	-4,148,720	-2,237,810
-8,449,490			**0**	**5,045,220**	**-250,000**	**4,795,220**	**-13,344,700**	**-8,549,480**
39,496,000	**TOTAL CORPORATE RESOURCES**		**60,160,630**	**38,915,970**	**-19,812,230**	**79,264,370**	**-41,093,370**	**38,171,000**

*** S/D/B** : indicates that the service is **S**tatutory, **D**iscretionary or a combination of **B**oth

APPENDIX E

CORPORATE & CENTRAL ITEMS

REVENUE BUDGET 2024/25

Net Budget 2023/24 £		*	Employees £	Running Expenses £	Internal Income £	Gross Budget £	External Income £	Net Budget 2024/25 £
	CORPORATE							
-2,285,000	**DSG (Central Dept recharges)**	S	0	0	0	0	-2,285,000	-2,285,000
1,000,000	**Growth Contingency**	n/a	0	0	0	0	0	0
900,000	**Service Reduction Contingency**	n/a	0	0	0	0	0	0
1,076,000	**Fair Cost of Care / ASC Reforms**	S	0	0	0	0	0	0
0	**Service Investment Fund**	n/a	0	200,000	0	200,000	0	200,000
10,000,000	**MTFS Risks Contingency**	B	0	10,000,000	0	10,000,000	0	10,000,000
2,688,000	**Contingency for Inflation / Living Wage ****	B	12,175,000	23,883,820	0	36,058,820	0	36,058,820
13,379,000	**TOTAL CORPORATE BUDGETS**		**12,175,000**	**34,083,820**	**0**	**46,258,820**	**-2,285,000**	**43,973,820**
	CENTRAL ITEMS							
19,500,000	**Financing of Capital**	B	0	20,050,000	0	20,050,000	-2,650,000	17,400,000
5,050,000	**Revenue Funding of Capital**	B	0	0	0	0	0	0
-13,600,000	**Bank & Other Interest**	B	0	0	0	0	-14,200,000	-14,200,000
	Central Expenditure							
1,500,000	Pensions (pre LGR /LGR)	S	0	1,500,000	0	1,500,000	0	1,500,000
1,353,800	Members Expenses & Support etc	S	1,259,800	99,540	0	1,359,340	0	1,359,340
317,000	Flood Defence Levies	S	0	317,000	0	317,000	0	317,000
200,000	Elections	S	0	200,000	0	200,000	0	200,000
-691,000	Financial Arrangements	B	0	515,000	-221,000	294,000	-915,000	-621,000
-50,000	Car Leasing	B	0	0	-50,000	-50,000	0	-50,000
2,629,800			1,259,800	2,631,540	-271,000	3,620,340	-915,000	2,705,340
13,579,800	**TOTAL CENTRAL ITEMS**		**1,259,800**	**22,681,540**	**-271,000**	**23,670,340**	**-17,765,000**	**5,905,340**

*** S/D/B** : indicates that the service is **S**tatutory, **D**iscretionary or a combination of **B**oth
** 2023/24 contingency net of transfers to Departmental budgets

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APPENDIX F

CHILDREN & FAMILY SERVICES - CAPITAL PROGRAMME 2024-28

Estimated Completion Date	Gross Cost of Project £000		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Mar-28	63,555	**Provision of Additional School Places**	**24,401**	**33,487**	**4,967**	**700**	**63,555**
		SEND Programme					
Mar-26	18,472	Expansion of Special Schools	2,650	11,250	0	0	13,900
		Sub-total - SEND Programme	**2,650**	**11,250**	**0**	**0**	**13,900**
Mar-28	8,000	Strategic Capital Maintenance	2,000	2,000	2,000	2,000	8,000
Mar-28	2,000	Schools Devolved Formula Capital	500	500	500	500	2,000
Mar-28	1,200	Schools Access / Security	300	300	300	300	1,200
Mar-25	1,146	Children's Residential Homes	1,146	0	0	0	1,146
Mar-26	1,178	Childcare Expansion Programme	678	500	0	0	1,178
		Other Capital	**4,624**	**3,300**	**2,800**	**2,800**	**13,524**
		Overall Total	**31,675**	**48,037**	**7,767**	**3,500**	**90,978**

		Future Developments - subject to further detail and approved business cases					
		Additional School Infrastructure arising from Housing Developments					

ADULTS & COMMUNITIES - CAPITAL PROGRAMME 2024-28

Estimated Completion Date	Gross Cost of Project £000		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Mar-28	19,404	Disabled Facilities Grant (DFG)	4,851	4,851	4,851	4,851	19,404
			4,851	**4,851**	**4,851**	**4,851**	**19,404**
		Social Care Investment Plan (SCIP):					
Mar-27	2,758	SCIP - Extra care schemes	1,500	0	1,258	0	2,758
		Sub-Total SCIP	**1,500**	**0**	**1,258**	**0**	**2,758**
		Total A&C	**6,351**	**4,851**	**6,109**	**4,851**	**22,162**

		Future Developments - subject to further detail and approved business cases					
		Archives, Collections and Learning Hub					

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2024-28

Estimated Completion Date	Gross Cost of Project £000		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
		Major Schemes					
Mar-26	116,110	Melton Distributor Road - North and East Sections	39,956	17,102	0	0	57,058
Mar-26	19,925	Zouch Bridge Replacement - Construction and Enabling Works	9,614	6,856	61	0	16,531
Mar-28	10,269	Advance Design / Match Funding	1,855	2,222	2,145	1,758	7,979
Mar-28	4,129	Leicestershire Cycling Walking Improvements Plan Delivery	1,404	1,404	854	467	4,129
Mar-25	9,239	A511/A50 Major Road Network - Advanced design	2,068	0	0	0	2,068
Mar-25	1,958	Leicester and Leicestershire Integrated Transport Model - Refresh	297	0	0	0	297
			55,194	**27,584**	**3,060**	**2,225**	**88,062**
		Minor Schemes / Other					
Mar-28	13,600	County Council Vehicle Replacement Programme	3,698	3,358	3,110	3,436	13,602
Mar-25	54	Fleet Services Workshop Oil Distribution System	54	0	0	0	54
Mar-27	1,030	Property Flood Risk Alleviation	561	318	151	0	1,030
Mar-25	4,991	Hinckley Hub (Hawley Road) - National Productivity Investment Fund	291	0	0	0	291
Mar-28	1,870	Safety Schemes	463	726	300	206	1,696
Mar-27	2,632	Externally Funded Schemes	163	269	93	0	525
Mar-27	9,643	Melton Depot - Replacement	501	2,080	6,968	0	9,550
Mar-28	400	Plant renewals	100	100	100	100	400
Mar-27	400	Highways Depot Improvements - subject to business case	0	0	400	0	400
			5,831	**6,851**	**11,122**	**3,742**	**27,547**
		Transport Asset Management					
Mar-28	44,732	Network North funding to be allocated (25/26 subject to grant confirmation)	2,258	5,000	10,000	14,158	31,416
Mar-28	9,592	Capital Schemes and Design	2,565	2,168	2,177	2,177	9,087
Mar-28	2,711	Bridges	407	407	463	463	1,740
Mar-28	563	Highways Flood alleviation	159	123	141	141	563
Mar-28	2,817	Street Lighting	1,031	835	835	835	3,537
Mar-28	1,272	Traffic Signal Renewal	386	281	281	281	1,228
Mar-28	10,947	Preventative Maintenance - (Surface Dressing)	3,312	2,540	2,540	2,540	10,931
Mar-28	30,628	Restorative (Patching)	8,030	7,445	7,349	7,739	30,563
Mar-28	67	Public rights of way maintenance	19	15	17	17	67
Mar-28	262	Network Performance & Reliability	70	61	65	65	262
			18,237	**18,875**	**23,867**	**28,414**	**89,393**
		Environment & Waste					
Mar-28	1,834	Recycling Household Waste Sites - General Improvements	446	974	164	250	1,834
Mar-25	195	Recycling Household Waste Sites - Lighting	195	0	0	0	195
Mar-28	108	Ashby Canal	27	27	27	27	108
Mar-27	237	Recycling Household Waste Sites - S.106 funded schemes	91	60	86	0	237
			759	**1,061**	**277**	**277**	**2,374**
		Total E&T	**80,022**	**54,371**	**38,325**	**34,659**	**207,376**

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2024-28 (continued)

		Future Developments - subject to further detail and approved business cases					
		New Melton RHWS					
		Additional bid development/match funding					
		Compaction equipment					
		Green vehicle fleet					
		Highways Depot Maintenance					
		DIY waste equipment					

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2024-28

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

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

CORPORATE RESOURCES - CAPITAL PROGRAMME 2024-28

Estimated Completion Date	Gross Cost of Project £000		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
		ICT					
Mar-28	240	Replacement of IT Service Management toolset and User Portal	0	0	0	240	240
Mar-26	79	Solaris Hardware Refresh	30	30	0	0	60
Mar-28	903	Network Equipment	0	100	0	600	700
Mar-28	100	Remote Access Refresh	0	9	0	41	50
Mar-28	1,700	Hyper-Converged Infrastructure (HCI) Refresh/re-license	449	350	120	581	1,500
Mar-28	1,000	Backup System Replacement	0	0	0	1,000	1,000
Mar-26	50	Replace end of life SRS Meeting room tech	0	50	0	0	50
Mar-27	70	Replace end of life wireless controllers	0	0	70	0	70
		Sub total ICT	**479**	**539**	**190**	**2,462**	**3,670**
		Transformation Unit - Ways of Working					
Mar-25	1,995	Workplace Strategy - Office Infrastructure	400	0	0	0	400
Mar-28	11,042	Workplace Strategy - End User Device (PC, laptop)	862	1,293	1,530	909	4,594
Mar-25	1,631	Workplace Strategy - property costs, dilapidations and refurbishments	582	0	0	0	582
		Sub total Transformation Unit	**1,844**	**1,293**	**1,530**	**909**	**5,576**
		Property Services					
Mar-25	110	Data Centre UPS replacement	110	0	0	0	110
Mar-25	85	Bassett Centre window replacement	85	0	0	0	85
Mar-25	100	Snibston Scheduled Ancient Monument	100	0	0	0	100
		Sub total Property Services	**295**	**0**	**0**	**0**	**295**
		Climate Change - Environmental Improvements					
Mar-25	375	Electric Vehicle Car Charge Points	131	0	0	0	131
Mar-27	603	Energy initiatives	100	100	100	0	300
		Sub total Energy	**231**	**100**	**100**	**0**	**431**
		Total Corporate Resources	**2,849**	**1,932**	**1,820**	**3,371**	**9,972**

CORPORATE RESOURCES - CAPITAL PROGRAMME 2024-28 (continued)

		Future Developments - subject to further detail and approved business cases					
		Major System Replacements, IAS, Mosaic, Capita One, STADS, PAMS, s106 system					
		Strategic Property Future Developments					
		Snibston Scheduled Ancient Monument - (SAM) - additional works					
		Snibston Block C Remediation					
		Beaumanor Hall roads resurfacing					
		ICT Future Development:					
		End of life replacement and security improvements					
		Property Services					
		Country Parks Future Developments:					
		Watermead café and car park changes					
		Watermead New Bridge					
		Country Parks - ANPR ticketless car parking expansion					
		Ashby Woulds Heritage Trail - resurfacing					
		Climate Change Future Developments					

CORPORATE - CAPITAL PROGRAMME 2024-28

Estimated Completion Date	Gross Cost of Project £000		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
		Investing In Leicestershire Programme (IILP)					
Mar-28	1,200	County Farms Estate - General Improvements	300	300	300	300	1,200
Mar-28	1,400	Industrial Properties Estate - General Improvements	350	350	350	350	1,400
Sep-25	16,436	Airfield Business Park - Phase 3-4	14,000	2,000	0	0	16,000
Mar-25	10,228	Quorn Solar Farm	250	9,204	0	0	9,454
Mar-27	926	M69 Junction 2 - SDA	350	283	50	0	683
Mar-25	2,999	Lutterworth East - Drive Thru Restaurants	2,655	0	0	0	2,655
Mar-25	4,893	Lutterworth East - Planning and Pre-Highway construction Works	4,658	0	0	0	4,658
	25,745	New Investments - subject to Business Case	3,000	5,000	5,000	12,745	25,745
		Sub total IILP	**25,563**	**17,137**	**5,700**	**13,395**	**61,795**
		Future Developments					
		Future service projects - subject to business cases	500	4,500	10,000	25,000	40,000
		Capital Programme Portfolio Risk	0	7,500	7,500	0	15,000
		Sub total Future Developments	**500**	**12,000**	**17,500**	**25,000**	**55,000**
		Total Corporate Programme	**26,063**	**29,137**	**23,200**	**38,395**	**116,795**

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

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APPENDIX G

CAPITAL STRATEGY 2024 - 2028

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 Investing in Leicestershire Fund (IILP) Strategy and the Treasury Management Strategy. The IILP Strategy sets out the Council's approach to non Treasury Management investments made to support the Council's objectives through property and infrastructure assets that will have an element of financial return, for example supporting economic development. The level of funding available for the IILP 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;
- 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 including section106 housing developer contributions and bids to external funding agencies.
- No investment in capital schemes primarily for financial return where borrowing is required anywhere within the capital programme (in line with the Prudential Code).
- In exceptional circumstances limited prudential borrowing will be considered where needed to fund essential investment in service delivery.

The 4 year capital programme 2024-28 totals £447m. External funding from capital grants, section 106 agreements and third party contributions totals £216m. Without this funding being available schemes of any significant size would not be affordable by the Council.

The balance of funding required is £231m to be funded from one off revenue reserves, capital receipts and a funding gap of £93m to be financed by prudential borrowing at a cost to the Council's revenue budget of around £7.5m p.a. over the next 40 years. This is a significant commitment to the Council given its wider financial pressures.

APPENDIX G

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 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 (internal or external borrowing) – only to be used after all other available funding. Before prudential borrowing will be considered all opportunities to maximise bids for external funding, and agreement from other partners, particularly Central Government, for additional funding, will be taken. Internal borrowing (from County Council cash balances) will 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 over outright purchase.

Other
- Renewal reserves – held to make an annual contribution reflecting the life and replacement cost of the asset and to avoid annual variations in replacement cost. 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 (revenue) Central Maintenance 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.

APPENDIX G

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
Heritage and Learning Collections Hub	Mid	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

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) Highways Depot Improvements	High High	Central Government grants/ Discretionary programme Discretionary programme
Improvement to the highway infrastructure Major schemes Minor Schemes Advanced Design	 High 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

APPENDIX G

Chief Executives

Demand	£	Funding
Case Management Systems	Low	Spend to save, Discretionary programme
Economic Development, e.g. Broadband	Low	Spend to save, Discretionary programme

Corporate Resources

Demand	£	Funding
ICT Infrastructure Renew and expand Major ICT upgrades and replacements	Mid	Discretionary programme Discretionary programme + Spend to save
Transformation – Ways of Working Office Infrastructure End user devices	Mid	Spend to save
Property Estate* Regulatory compliance Expansion and replacement Country Parks Expansion	Mid	Discretionary programme Spend to save
Climate Change Environmental Improvements	Mid	Spend to save

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

Corporate Programme

Demand	£	Funding
Investing in Leicestershire Programme	High	Spend to save
Major Schemes Portfolio Risk	Mid	Discretionary programme
Invest to Save Schemes	Mid	Discretionary programme

External Funding

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

Children and Family Services

Preference for housing developers to directly build schools as part of developments. 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 continue to often be channelled through bidding processes) and developer funding.

APPENDIX G

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).

The County Council understands the need to, and has forward funded investment in, developing 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. £9m in forward funding has been included in the proposed capital programme (in addition to £11m in previous years). Of this total, £5m has already been repaid, £3m is estimated to be repaid by 2027/28 and has been included in the new MTFS period, with the balance of £12m to be repaid after 2028. When the expected developer contributions are received they will be earmarked to the capital programme, to reduce the levels of borrowing required.

Forward funding presents a significant financial commitment and risk for the Council. An increased reliance on developer contributions through section 106 agreements means that it may take many years for investment to be repaid. Historic agreements may not be sufficient for the actual cost of infrastructure in the high inflation environment that is currently being experienced. The drivers of inflation are having a particularly profound impact upon construction schemes. Risks could be further compounded in the event of an economic slowdown, which could delay the housing development required before section 106 contributions are to be paid. The Council's medium and longer term financial strategies are only sustainable if this funding is recovered.

The Council's approach to managing existing capital projects will therefore be:

- The funding provided by the Council is in accordance with the Council's funding strategies. The Council's medium and longer term financial strategies are only sustainable if this funding is recovered. Existing schemes are the Melton Mowbray Distributor Road North and East sections, A511 Major Road Network, and the Hinckley Hub.
- Where the Council seeks contributions from multiple developers in Area Strategies (jointly agreed strategies for specific areas), it will collect the full costs associated with highways, schools and some community infrastructure.
- The Council will ensure that delivery costs are reviewed regularly, and that inflation is applied to any cost estimates from the date that the Area Strategy is developed, not from when the relevant s106 agreement is completed.
- The justification, costs and methodology for assessing contributions will be updated and added to the Council's website as appropriate.

In order to address the significant challenge of funding infrastructure to support growth the Council's approach to managing future capital projects will be:

- The presumption that approved developments will cover the costs of all necessary infrastructure, set out by planning condition.
- Where this cannot be achieved as a result of cumulative development, the Council will collate contributions.
- However, the Council will not fund the delivery of schemes until sufficient contributions are secured.

- Where funding gaps exist, developers and local planning authorities will seek contributions from third parties (including funding organisations, i.e. relevant Government departments).
- The Council will lead and support as necessary such requests where appropriate, for example funding bids to the DfT and DfE. External funding would be required for any match funding or significant bid development costs.
- It is recognised that if the Council prioritises education contributions and delivery of additional school places due to its statutory duty, it may at times be necessary to delay delivery of highway infrastructure, meaning that the Council could in principle accept a deterioration in conditions before infrastructure is delivered. In addition, in prioritising the delivery of education infrastructure, the Council may accept a permanent deterioration in conditions if it is not financially viable to deliver the highways mitigation. However, this will not apply to infrastructure and improvements required to address severe safety impacts arising from development.
- Where the Council considers that the overall viability of the plan or development will not allow sufficient mitigation of its impacts and prospect of external funding is low, it may object to its adoption.

Whilst this approach significantly reduces the financial risk faced by the County Council, in the shorter term, it does not remove it entirely. Until such time as Government policy reflects and addresses the challenges faced by local authorities in meeting housing needs whilst ensuring infrastructure is available and appropriate district councils, as planning authorities, are in the best position to manage the developer contribution risk. It is therefore necessary for the district councils to work with the County Council to ensure Local Plans include policies that balance the need to support delivery of growth without exposing the County Council to further financial risk. District councils also need to work with the County Council to direct more funding towards priority infrastructure

Discretionary Funding

The 4 year discretionary capital programme totals £231m. Funding is from the sale of County Council capital assets (capital receipts), MTFS revenue contributions and earmarked reserves. 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 £93m of prudential borrowing is included in the 2024-28 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
2024/25	22.6	1.8	24.4
2025/26	1.2	1.7	2.9
2026/27	1.0	0.0	1.0
2027/28	1.0	2.7	3.7
Total	25.8	6.2	32.0

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 £106m in one-off revenue funding of capital. These have arisen from:

- Prior year underspends – cannot be relied upon going forward.
- Released MTFS risk contingency
- Surplus earmarked funds no longer required

Given the Councils financial situation there are no longer any on-going revenue contributions to the capital programme.

Other

For invest to save schemes, a discount rate of 7% will be used, including inflation 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, unless there is an overriding policy objective that justifies a lower rate with the Director of Corporate Resources agreement.

Funding from Internal Balances

A total of £93m in funding required is included 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 the £12m forward funded 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 cash balances to fund the capital programme on a temporary basis instead of raising new loans. Levels of cash balances held by the Council are currently c£400m, comprising the amounts held for reserves, provisions, minimum revenue provision (MRP) set aside for the repayment of debt, and working capital of the Council. The cost of raising external loans is estimated to exceeds the cost of interest lost on cash balances by circa 2%.

The overall cost of using internal balances to fund £93m of investment is dependent on what happens to interest and borrowing rates over the medium to long term. Current forecasts show the cost of externally borrowing would be around £7.5m per annum for the next 40 years, in interest and repayment of principal - minimum revenue provision (MRP). Internal borrowing would still require MRP setting aside but net interest savings could amount to £2m per annum. But because of the uncertainty on interest rates, this position will be kept under review as part of the treasury management strategy.

The County Council's current level of external debt is £220m. As described above this is not anticipated to increase during the MTFS.

APPENDIX G

Affordability

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

£m	2022/23	2023/24	2027/28
Revenue	5.5	0.0	0.0
MRP	6.2	6.2	7.6
Interest	12.9	11.8	12.4
On-going revenue total	**24.6**	**18.0**	**20.0**
% Revenue budget	5.2%	3.5%	3.3%
Voluntary MRP	0.0	0.0	0.0
One-off revenue	25.8	11.4	0.1
One-off revenue	**25.8**	**11.4**	**0.1**
Total	**50.4**	**29.4**	**20.1**
% Revenue budget	10.7%	5.7%	3.3%

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.
- Undertake a further review of MRP to ensure it remains prudent.

Capital Financing Requirement

The CFR is the measure of the Council's historic need to borrow for capital purposes. As at 31st March 2024 the CFR is forecast to be £202m compared with actual debt of £220m. 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 2024/25 is £17.4m rising to £18.6m by 2027/28. 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 £93m to the CFR. Together with reductions made by MRP, the CFR is forecast to be £268m by the end of the MTFS (31 March 2028). Assuming no new borrowing is undertaken in this period, actual debt will by £213m at that time, resulting in an under-borrowed position of £55m. 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.

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 Investing in Leicestershire Fund (IILP) which invests in assets to achieve both economic development and investment returns. A copy of the IILP strategy is attached to the MTFS report. The IILP operates through the Investing in Leicestershire Fund Strategy with a view to:

- Supporting the objectives of the Council's MTFS, Corporate Asset Management Plan, Strategic Plan, its Economic Growth Plan and the County-wide Local Industrial Strategy.
- Supporting 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.
- Maximising returns on Council owned property assets.
- Supporting the delivery of front-line services through increased income generation from existing investments, or through capital investments that will reduce operating costs.
- Maintaining a diverse portfolio of energy efficient and sustainable direct property and other investment assets which support economic growth and environmental sustainability
- Supporting the Council's strategic objectives by working with partners to maintain momentum in the development of strategic sites and renewing existing employment sites and premises where there is demand thereby addressing areas of market failure.
- Contributing towards the development and implementation of a Net Zero Carbon 2030 Plan for the Council by reducing demand for energy and increasing the generation and use of renewable energy.
- Channelling new investment into schemes that:
  - Maximise the potential to address economic and social market failure;
  - Improve property assets for a direct strategic/policy purpose
  - Enhance the value and marketability of property assets enabling capital

receipts to be used to support improved service delivery
  - Manage investment risk by investing in diverse sectors.
- Supporting the Council in maximizing the benefit from its financial assets in a risk aware way (not including standard treasury management activity).

Current holdings plus schemes in the 2023/24 capital programme will result in a total holding of £217m (original cost). Over the MTFS 24-28 period the following changes have been included:

- £59m – additional investment in MTFS 2024-28 capital programme (excluding general improvement investment), subject to satisfactory business cases
- (£9m) – sale of direct property held and pooled property funds
- (£8m) – net change in maturing indirect investments held

These will bring the total held to £260m (based on historic cost). Annual income returns are currently around £8m and are forecast to increase to £10m by the end of the MTFS period (and higher in later years), contributing ongoing net income for the Council. Appraisal for new investments include external due diligence performed before each purchase.

The Corporate capital programme also includes additional funding of £40m for the Future Developments fund, and £15m as a capital programme portfolio risk contingency. The future developments 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.

The capital programme risk portfolio is there to cover adverse impacts that would potentially affect all schemes, such as exceptional excess inflation. The schemes for which a portfolio risk allocation is more likely to be needed are those which are highly complex and difficult to predict costs or external funding and are likely to span many years. Individual schemes are expected to maintain a risk register and appropriate risk contingency for known risks. The contingency should be set at the 50% likelihood level, unless agreed by the Director of Corporate Resources.

Through the budget monitoring process, risks would be identified which would point to the need to utilise a proportion of the portfolio risk allocation. To access the fund there would need to be based on clear evidence that such a scenario has arisen. A full appraisal of the scheme’s cost and funding would be required to ensure that delivery is still likely to be within the scheme budget and reduced risk portfolio contingency. Decisions on when money from the portfolio risk allocation is transferred to a specific project are taken by the Director of Corporate Resources following consultation with the Cabinet Lead Member for Resources.

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. It is recognised that by prioritising education contributions and delivery of additional school places due to its statutory duty, it may at times be necessary to delay delivery of highway infrastructure, meaning that the Council could in principle accept a deterioration in conditions and congestion before infrastructure is delivered. However, this will not apply to infrastructure and improvements required to address severe safety impacts arising from developments.

Further improvements to the highway network will require continued pursuit of external resources such as Government grants and developer funding. 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 potential increased costs, 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.

The County Council confirms that it complies with paragraphs 51 to 53 of the prudential code 2021. Extracts of the relevant paragraphs are included as an annex to this strategy.

Annex 1 – Prudential Code 2021

The Council confirms that it complies with paragraphs 51 to 53 of the prudential code 2021 as below.

51. **The Prudential Code determines that certain acts or practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment:**

    - **In order to comply with the Prudential Code, an authority must not borrow to invest primarily for financial return.**
    - **It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.**

52. The UK government's rules for access to PWLB lending at the date of this publication require (May 2022) statutory chief finance officers to certify that their local authority's capital spending plans do not include the acquisition of assets primarily for yield, reflecting a view that local authority borrowing powers are granted to finance direct investment in local service delivery (including housing, regeneration and local infrastructure) and for cash flow management, rather than to add debt leverage to return-seeking investment activity. Since:
    - access to the PWLB is important to ensure local authorities' liquidity in the long term, and
    - leveraged investment always increases downside risks, local authorities must not borrow to fund acquisitions where obtaining financial returns is the primary aim.

53. Authorities with existing commercial investments (including property) are not required by this Code to sell these investments. Such authorities may carry out prudent active management and rebalancing of their portfolios. However, authorities that have an expected need to borrow should review options for exiting their financial investments for commercial purposes and summarise the review in their annual treasury management or investment strategies. The reviews should evaluate whether to meet expected borrowing needs by taking new borrowing or by repaying investments, based on a financial appraisal that takes account of financial implications and risk reduction benefits. Authorities with commercial land and property may also invest in maximising its value, including repair, renewal and updating of the properties.

Investing in Leicestershire Programme

PORTFOLIO MANAGEMENT STRATEGY

2024/2028

Leicestershire County Council

NET ZERO LEICESTERSHIRE

Building Business. **Boosting** Communities.

FOREWORD

Lee Breckon
Lead Member for Resources Leicestershire County Council and Chair of the Investing in Leicestershire Programme Board

With a strong track record in owning and managing a diverse portfolio of property and other investment assets, we are proud to have a proactive approach to investment, especially against the backdrop of continued tight financial settlements from central government.

Investments have created a number of jobs and business opportunities which has stimulated the local economy. Going forward our goal is to continue this positive economic impact along with maintaining a portfolio which is environmentally sustainable and builds towards the goal of being a net zero county.

Our sensible, strategic and careful way of investing has led to a significant increase in the value of our Investing in Leicestershire Programme portfolio, which is in turn providing millions of pounds for services as you will read in this strategy.

The importance of investing taxpayer's money safely and wisely is a priority, and this strategy will work to ensure that our portfolio continues from strength to strength in the coming years and help to ensure our continued strong and resilient foundation to our property holdings

Declan Keegan
Director of Corporate Resources

This Investing in Leicestershire Programme is important in providing land and buildings for jobs and regeneration, and our investments have also seen us benefit from a healthy return on the assets we own.

Leicestershire County Council has always invested in a prudent and careful manner. This approach protects the portfolio's value as well as boosting the local economy and, importantly, generates a vital and sustainable income for front line council services.

Not only will this strategy support the council's Medium Term Financial Strategy (MTFS) objectives but will also support our other strategic objectives and goals for the council, including economic development and opportunities for investment in green infrastructure.

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Updated January 2024

INTRODUCTION

1.1 Leicestershire County Council (the Council) owns and manages property and other investments, some of which generate income that support front line services whilst contributing to the wider strategic objectives of the Council and the economic wellbeing of the area. This portfolio (the Portfolio) forms part of the Investing in Leicestershire Programme.

1.2 The Portfolio which is now reaching its target level of investment has grown significantly in value in recent years and provides a means by which the Council can continue to deliver high quality services to and add social and economic value for the people of Leicestershire despite the ongoing pressure on public finances. In addition to its wider social dimension, income generated by the Portfolio 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 Portfolio Management Strategy for 2024 to 2028 (the Strategy) is aimed at supporting the further development and ongoing management of the Portfolio to further enhance its contribution to the delivery of strategic goals whilst continuing to improve the Council's financial resilience as demand on services and operating costs continue to rise. It outlines how the Council will look to direct investments during this period developing the Portfolio to address areas of specific economic or social market failure and how it will manage the portfolio to help achieve the strategic priorities of the Council.

1.4 Whilst a key priority is to continue to deliver positive outcomes 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 2024-28 includes reference to indirect and non-property investments. This diversification is an important component in financial risk management.

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 Portfolio provides 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 generating secure, long term, income streams that allows the existing investments to assist the Council in delivery of 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.

Strategic outcomes

Clean and Green

- People act now to tackle climate change
- Nature and the local environment are valued, protected and enhanced
- Resources are used in an environmentally sustainable way
- The economy and infrastructure are low carbon and environmentally friendly

Great Communities

- Diversity is celebrated and people feel welcome and included
- People participate in service design and delivery
- Communities are prepared for and resilient to emergencies
- Cultural and historical heritage are enjoyed and conserved
- People support each other through volunteering

Safe and Well

- People are safe in their daily lives
- People enjoy long lives in good health
- People at the most risk are protected from harm
- Carers and people with care needs are supported to live active, independent, and fulfilling lives

Improved Opportunities

- Every child gets the best start in life
- Every child has access to good quality education
- Families are self-sufficient and enabled to be resilient
- Everyone is able to aim high and reach their full potential

Strong Economy, Transport and Infrastructure

- There is close alignment between skill supply and demand
- Leicestershire has the infrastructure for sustainable growth
- Leicestershire is an attractive place where businesses flourish
- Economic growth delivers increased prosperity for all
- Leicestershire has the right homes in the right places to meet needs

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

- Support the objectives of the Council's MTFS, Corporate Asset Management Plan, Strategic Plan, its Economic Growth Plan and the County-wide Local Industrial Strategy.
- 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.
- Maximise returns on Council owned property assets
- Supports the delivery of front-line services through increased income generation from existing investments, or through capital investments that will reduce operating costs.
- Maintain a diverse portfolio of energy efficient and sustainable direct property and other investment assets which support economic growth and environmental sustainability
- Support the Council's strategic objectives by working with partners to maintain momentum in the development of strategic sites and renewing existing employment sites and premises where there is demand thereby addressing areas of market failure.
- Contribute towards the development and implementation of the Council's Net Zero Carbon ambitions by reducing demand for energy and increasing the generation and use of renewable energy
- Channelling new investment into schemes that:
  - Maximise the potential to address economic and social market failure;
  - Improve property assets for a direct strategic/policy purpose
  - Enhance the value and marketability of property assets enabling capital receipts to be used to support improved service delivery
  - Manage investment risk by investing in diverse sectors.
- 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. However, it could 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, the CIPFA Prudential Code 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.

PORTFOLIO MANAGEMENT STRATEGY 2024 TO 2028

4.1 This Strategy is a high-level summary of the Council's approach to new investments. 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 2024 to 2028 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 economic and social benefit. It is designed to provide a framework that is flexible enough for the Council to participate in the property market whilst ensuring governance processes are in place, full assessments are made, and risks are minimised.

Purpose of the Portfolio

4.3 The primary purpose of the Portfolio 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, thereby securing benefits for the Council;

4.3.2 continue to acquire both parcels of land for development and standalone direct property investments that contribute to the attainment of policy goals or address areas of economic or social market failure;

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 address areas of market failure;

4.3.4 maintain progress in the restructuring and rebalancing of the property portfolio

4.4 The Portfolio will also utilise Treasury Management investments to provide diversification to the overall portfolio, subject to any associated risks being monitored and managed. This is likely to include investments in different sectors, assets classes and geographies

4.5 The Portfolio will be reviewed, and performance of individual investments assessed on a regular 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 used to reduce borrowing in accordance with Government guidance.

Development of the Portfolio

4.6 The amount invested in the Portfolio as at 31 March 2023 was £217m. The latest valuation of the portfolio, as at 1st April 2023, which includes capital growth in the valuation of the assets held is £233m from which, based on the 2023/24 return, an annual contribution of approximately £5.8m per annum was derived. The value of the Portfolio is forecast to increase further by 31st March 2024 as underlying growth (capital growth) is achieved on the value of the assets.

4.7 An overall target return for the Portfolio's existing portfolio is 7%, reflecting the related risk, 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 A total fund of £217m is forecast to be held by the end of 2023/24. Over the MTFS period the following changes have been included:

- £59m – additional investment in MTFS 2024-28 capital programme (excluding general improvement investment)
- (£9m) – sale of direct property held and pooled property funds
- (£8m) – net change in maturing indirect investments held

These will bring the total held to £260m (based on historic cost). Annual income returns are estimated at around £8m for 2023/24 and are forecast to increase to £10m by the end of the MTFS period (and higher in later years), contributing ongoing net income for the Council. A satisfactory business case appraisal which includes external due diligence will be required before each purchase or investment.

4.10 The County Council has not and does not intend to borrow to fund the investments within the Portfolio's development programme. The proposed investment included within the MTFS 2024-28 is entirely funded from revenue reserves. Decisions on the availability and proportionality of funding to fund the Capital Programme, are made through the Capital Strategy 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.

Portfolio Management

4.11 As the portfolio nears its target level of investment its ongoing management needs to be both focused and proactive in order to ensure that opportunities to enhance the financial, economic development and community benefits are maximised. Accordingly, there is a need to regularly review and refocus the objectives and management strategies of each sector to reflect and meet the Council's policy agenda and provide strategic direction to future management plans and investment decisions; the process being supported by accurate management information and benchmarked data and evaluated against robust performance targets.

4.12 It is proposed that a full review of the Rural Sector portfolio of farms be undertaken in 2023/24 following the earlier external review of the rural portfolio's management and reflecting the advice and recommendations of the latest strategic review of the whole portfolio.

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);
- The ability of the investment to make a positive contribution to attainment of strategic objectives or addressing areas of market failure;
- The financial return commensurate with the risk being taken, under a range of economic scenarios (market conditions, repairs etc.) Any legal issues (restrictive covenants etc.) regarding the title of the land/ property;
- Risk of securing planning permission, including conditions
- 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 regard to:

- **Economic Benefit:** The number of jobs and business opportunities created/ supported and the ability of the asset to address market failure are the key elements of a potential investment together with the level of Gross Value Added to the economy
- **Development potential income:** The total income assuming the site is fully developed (with cash flow timescales) and the restrictions on use of the funds e.g., requirement to be recycled into further such schemes/investments.
- **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/or the development of property assets in an area of the county requiring regeneration in order maximise benefits by stimulating the local economy through sustainable financial and economic growth, over the lifetime of the investment.

- **Sector:** The strength of the investment or development sector should be considered in relation to its location, rather than in isolation.
- **Building:** The age and construction of any existing buildings should be considered 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 County Council and the occupiers should be limited as much as possible. Property let on a term which exceeds the economic life expectancy of the buildings should not be purchased.

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 Strategy are achieved in a co-ordinated and measured way.

5.4 The adequacy of the estimated benefits will be judged against the certainty of the anticipated outcomes materialising.

ENVIRONMENTAL, SOCIAL GOVERNANCE (ESG)

6.1 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.

6.2 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."

6.3 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.

6.4 To align with the council's wider ambitions 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).

6.5 A net Zero Strategy will be developed and implemented for the whole portfolio containing the following provisions:

a Quantify the portfolio's emissions on a sector basis to establish a baseline position.

b Set a trajectory for each sector with a view to achieving Net Zero within the corporately agreed timescales with targets incorporated within all future management plans c In respect of direct property sectors the strategy shall contain the following elements

- **Commercial property -** retrofit and energy efficiency, renewable energy generation, links to MEES regulations
- **Rural -** transition plans for farms, renewable energy generation
- **Developments -** supply chain engagement, materials guide, low carbon construction

d Sustainable procurement guides, a net zero decision making matrix and an emissions offset policy shall be developed as part of the strategy together with appropriate KPIs monitoring and reporting

6.6 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.

6.7 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.

6.8 The County Council will ensure that the relevant environmental, social, and governance (ESG) standards are met when seeking to screen potential investments.

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

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

FINANCIAL RETURNS

Yield

7.1 Whilst it is intended that future investments should be judged primarily on the basis of the County Council's wider policy objectives; it is important to ensure that the financial performance of the assets held is acceptable.

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

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

7.3 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%:

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

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

7.4 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 investment return of 7.5%

7.5 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.

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

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

7.8 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.

7.9 Whilst aiming for a return of 7%, the Portfolio will seek to invest in assets that guarantee at least a market yield in order to manage future risk by securing a return on investment attractive to the market.

Internal Rate of Return

7.10 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 the key 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.

Independent Review

7.11 It is proposed that the performance of the Portfolio and the overall Strategy should be subject to an independent review at no greater than 3-year intervals. The first such review was undertaken in December 2020. As three years have now elapsed since the last review a similar review of the Portfolio was commissioned from Hymans Robertson in late 2023.

7.12 The 2020 Hymans Robertson strategy review made recommendations in respect of the portfolio distribution (by value) as set out in the following table.

Asset Class	Value at 31 March 2020	% of Total Fund	Strategic Recommendation (Hymans Robertson Dec. 2020)
Direct Portfolio (inc. Dev.)	£125.8m	73.6%	
Direct Portfolio (Exc. Dev.)	£67.0m	39.2%	
Offices	£27.2m	15.9%	Maintain or reduce
Industrials	£12.4m	7.3%	Increase
Distribution	£0.5m	0.3%	Increase
Rural	£22.5m	13.2%	Maintain or reduce
Other	£4.4m	2.6%	n/a
Development	£58.8m	34.4%	n/a
Residential Property	-	-	New Allocation
Pooled Fund Portfolio	£45.1m	26.4%	
Property (Core Commercials)	£24.8m	14.5%	Decrease
Private Debt	£20.3m	11.9%	Maintain or reduce
Residential Property	-	-	New Allocation
Infrastructure	-	-	New Allocation
Total	**£170.9m**	**100.0%**	

7.13 Since publication of the Hymans Robertson report in December 2020, the County Council has not acquired any new direct property investments. However, it has completed the Armstrong Building (LUSEP) and the developments at Airfield Business Park and Apollo Court. Except for the office asset class, the value of which has been significantly boosted by the completion and occupation of the Armstrong Building, the distribution by value of the remaining asset classes has broadly followed the strategic recommendation set out in the report; the influence of individual sectors being determined by market adjustments rather than transfer of assets or acquisitions.

7.14 The current position is set out below:

Asset Class	Value at 31 March 2023	% of Total Fund	Movement in fund since December 2020
Direct Portfolio (inc. Dev.)	£158.1m	67.7%	
Direct Portfolio (Exc. Dev.)	£111.9m	47.9%	
Offices	£53.1m	22.7%	Increased
Industrials and Distribution	£30.0m	12.8%	Increased
Rural	£24.2m	10.4%	Decreased but value maintained
Other	£4.6m	2.0%	Decreased but value of existing assets increased
Development	£46.2m	19.8%	Assets increased in value on grant of planning permission
Residential Property	-	-	
Pooled Fund Portfolio	£75.4m	32.3%	
Property (Core Commercials)	£22.5m	9.6%	Decreased but existing assets retained
Private Debt	£28.7m	12.3%	Maintained
Residential Property	-	-	
Pooled Infrastructure	£8.7m	3.7%	New Allocation
Pooled Bank Risk Share	£15.5m	6.6%	New Allocation
Total	**£233.5m**	**100.0%**	

7.15 Whilst the increase proportion of the fund within the Offices asset class appears to depart from the Hymans Robertson advice, the 2020 review was undertaken with the knowledge of the development pipeline at the time due to bring forward the Armstrong Building, and the intention that this asset would be retained. However, no further office investment is proposed at the present time. Similarly, the Airfield Business Park and Apollo Court estates moving into the Industrials asset class accounts for the major part of the uplift in the Industrial class, which will be further strengthened on the completion of the final phase of the Airfield Business Park

7.16 The proportion of the portfolio held in the development sector has increased over the past year due solely to the increased value of assets attributable to planning permissions granted over the period. As assets are sold or transferred the value of the sector will revert to a much lower level

7.17 The previous increase in value of the Property (Core Commercials) class which reflected a deliberate action to delay withdrawal of capital in response to the delay in the call for investment in the agreed Infrastructure fund has now been off-set by the infrastructure investment proceeding. Whilst, the withdrawal of capital from the Core Commercial's fund has yet to be actioned market adjustments have decreased its overall proportion of the fund.

7.18 The Private Debt funds have been maintained at 2020 levels as recommended by Hymans Robertson and whilst the recurring maturation of these funds allows for ongoing investment and provides a stable income no significant additions have been made to the portfolio.

7.19 The 2024 Hymans Robertson Review, as with the earlier 2020 Review, considered the current economic outlook and that of the real estate investment market. Based on the make-up of the portfolio as at 31st March 2023 the review concludes that the current portfolio mix of approximately 67% direct property and 33% diversifiers is appropriate and strikes a reasonable balance between the positive economic, social and environmental impacts generated in the direct portfolio and the downside protection provided by the diversifiers portfolio.

7.20 Given the volume of new investments to be made, it is anticipated that the direct portfolio will see only modest growth. The review recommends that the Council explores opportunities to dispose of certain existing assets and recycle the capital into new developments. This will enable the Programme to maintain a high level of positive impact in the local community, as well as providing the opportunity to implement some of the portfolio refinements proposed below.

7.21 In addition, the review acknowledges that the development sector, at 29% of the direct property portfolio, is currently significantly larger than would normally be anticipated. The disposal or future development of assets within the sector will correct the balance.

7.22 Further, the review in considering the future direction of investment strategy makes the following recommendations:-

- In respect of the Direct Property Portfolio
  - Increase the allocation to the Industrial/Logistics sectors
  - Maintain or reduce the allocation to Offices
  - Selectively consider Retail investments
  - Maintain the Rural allocation
  - Increase the allocation to other Alternative sectors
  - Cap the allocation to Residential

The review also considers that local infrastructure assets are potentially attractive additions to the Fund's direct portfolio, offering a good income yield, potential diversification and clear economic and environmental benefits

- In respect of the Diversifiers
  - Allow the allocation to pooled Property to fall but ideally not below 25%
  - Maintain the allocation to pooled Infrastructure
  - Increase and diversify the allocation to pooled Private Debt

7.23 The review does not recommend any major changes of direction. However, it does suggest that within the direct portfolio consideration be given to selected retail investments and recognises the potential for investment in local infrastructure assets. In the case of diversifiers it advises that the portfolio be rebalanced reducing the level of pooled property and maintaining the level of pooled infrastructure investments whilst increasing and diversifying the portfolio of private debt investments.

7.24 Accordingly, future management and investment strategy and decisions will be influenced by the Hymans Robertson review with the above advice used to inform all future investment decisions forming an integral part of investment assessments which will continue to be supported by full business cases

INVESTMENT ASSESSMENTS

8.1 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

8.2 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

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

- Fit with other Portfolio holdings
- Fit with County Council priorities
- Risk Profile
- High level financials (revenue and potential for capital growth),
- Tenancy Terms
- Planning Overview
- Site Inspection
- Legal considerations and fit with statutory guidance
- Valuation

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

8.5 The IAR considers the likelihood of the proposed investment achieving the outcomes 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.

8.6 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.

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

8.8 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 failure, 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

8.9 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.

8.10 An independent property advisory firm will also be consulted on the opportunity and their report made known to the Investing in Leicestershire Programme Board (the Board) if the proposal is progressed beyond stage two.

8.11 The aim of the financial appraisal 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 financial perspective. The business case will also develop the non-financial benefits that are being sought from the acquisition. 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

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

8.13 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).

8.14 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.

8.15 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.

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

Valuation

8.17 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

8.18 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.

8.19 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.

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

8.21 For clarity any decision that requires an approval of expenditure of less than £5 million can be made by the Director of Corporate Resources under the powers delegated by the Cabinet.

8.22 Any decision that requires an approval of expenditure of less than £100,000 (and is line with a previous approved budget/scheme) has been subdelegated by the Director to the Head of Strategic Property Services'.

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

Surveys and Instructions

8.24 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

8.25 Other investments, such as into private debt, will be subject to approval as part of the Council's overall treasury management processes. Where this is outside of the Treasury Management Strategy approved by County Council this will include a specific report to Cabinet outlining the potential risks and benefits of the investment.

RISK

9.1 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

9.2 The main risk with any investment lies with the ability to ensure the value of the original investment is maintained and safeguarded through securing an ongoing income stream.

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

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

9.5 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.).

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

9.7 Continuing to hold an element of the portfolio in treasury management investments helps to mitigate against these risks although there will always be a dependency on the overall economic situation, including specifically the prevailing interest rate.

Financing Risk

9.8 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.

9.9 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.

9.10 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

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

Development Risk

9.12 This risk is specifically associated with developing property, and these are higher than those risks associated with acquiring an already built property investment. This is therefore reflected in the business case analysis.

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

9.14 This can be mitigated by not building speculatively but only with an identified need and potential 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.

9.15 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

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

9.16.1 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.

9.16.2 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.

9.16.3 Undertake a market analysis to ascertain the likelihood of the investment being required for and successfully delivering the desired economic and social outcomes across a full range of indicators.

9.16.4 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.

9.16.5 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)

9.17 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

9.18 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.

9.19 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.

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

9.20.1 Powers to own property investments

9.20.2 Money laundering risks

9.20.3 Property fraud risks

9.20.4 Changes to property legislation (e.g., Energy Act)

9.20.5 Appropriate third party checks before transacting

9.20.6 Due diligence in transactions

9.20.7 Keeping abreast of impact of legislative changes

9.20.8 Regular inspections of the assets

9.21 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

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

9.23 The Council will continue to ensure that procedures for monitoring, assessing and mitigating the risk of loss of invested sums are robust. The Board, acting in accordance with the Terms of Reference approved by Council as part of the MTFS 2023 - 2027, will play a vital role in assessing investment proposals early on and thereafter monitoring projects and overall performance of the Portfolio.

9.24 Financial performance 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.

9.25 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 Property Group and the Corporate Property Steering Group chaired by the Director of Corporate Resources.

9.26 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

10.1 The Portfolio is to acquire property/infrastructure investments (where investing creates the ability to address market failure or support another County Council objective), development sites (where the Portfolio will be involved in developing infrastructure, finding tenants and building schemes out with the same purpose in mind) and other property/strategic land (where there is an expectation of a future improvement and capital growth).

10.2 Indirect investments will be held for diversification purposes, this is expected to be restricted to pooled property, infrastructure, bank share and debt funds. The Portfolio is unlikely to acquire surplus operational property (that is being disposed of) where it has no potential to deliver future strategic outcomes.

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

10.4 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.

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

10.6 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

11.1 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."

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

11.3 The Portfolio is subject to regular revaluations – 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 its's tenants.

11.4 It is the Council's aim to achieve a stable long-term value for money from its investment activities. This will be through support to the County Council's priorities whilst safeguarding the value and integrity of the initial investment and delivering financial returns commensurate with the level of risk undertaken.

11.5 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:

11.5.1 the performance of the portfolio,

11.5.2 the future pipeline of opportunities,

11.5.3 the investment forecast,

11.5.4 the risks and mitigations,

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

11.6 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 enhanced benefits.

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.

11.7 The commercial approach of the Council must be considered against the wider CIPFA financial regulations and DLUHC guidelines.

11.8 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.

11.9 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.

11.10 The Strategy should consider the Portfolio's 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.

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

11.12 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.

11.13 Financial performance will be benchmarked against other organisations.

11.14 More financial technical benchmarks such as Expected Yield and Internal rate of Return are also used to provide accounting rigor regarding performance.

11.15 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.

11.16 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).

11.17 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 Portfolio's annual report.

STAFF RESOURCES

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

APPENDIX A

Quantative Performance Indicators		Estimate 2022/23	Estimate 2026/27
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.	1.49%	1.63%
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.	3.51%	3.85%
Benchmarking of returns	As a measure against other investments and against other council's property portfolios.	6.01%	6.85%
Gross and net income	The income received from the investment portfolio at a gross level and net level (less costs) over time.	£10.5m	£13.8m
		£7.6m	£10.0m
Operating costs	The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.	£2.9m	£3.8m
Vacancy levels and Tenant exposures for non-financial investments (direct commercial property)	Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.	5.0%	5.0%
		(40,700 sq. ft.)	(45,000 sq. ft.)
Amount of tenanted farmland disposed of vs acquired	Monitoring the size of the County Farm Estate.	26 acres sold vs	100 acres sold vs
		0 acres acquired (7,365 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.	4 new letting	2 new letting
		1 new entrant	1 new entrant
Note 1. No borrowing has been incurred to fund IILP			

Leicestershire County Council

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Appendix I

Risk Management

POLICY STATEMENT AND STRATEGY

Document Details:

Owner/Lead Officer	: Head of Internal Audit & Assurance Service, Corporate Resources Department
Created	: January 2024
Review Arrangements	: Annually
Next Review Date	: January 2025
Ratified by	: Chief Officers (Annually)

Risk Management Policy Statement

1. The UK continues to experience significant social and economic issues (e.g. critical incidents in health care, high inflation causing a cost of living crisis, key workforce strikes and difficulties in staff recruitment and retention causing service disruptions, and the costs and service delivery impacts of migration), In conjunction with its local stakeholders and partners, local government will need to continue to respond to uncertainty and manage high demand on its services and resources throughout 2024, and beyond. Historic local government funding and spending pressures continue. This problem is exacerbated by continuing delays to the Government's funding reforms and uncertainty remaining around sufficient funding to implement adult social care reforms along with the costs and impacts of a new regulatory framework. Financial pressures supporting growth, infrastructure, and environmental improvement continue to build and have accelerated with elevated inflation. There have been several government interventions, with some local authorities struggling to balance their budgets and meet their statutory duties. A number of authorities are expressing concerns about sustainability in the short to medium term. The impending general election in 2024 only adds to the uncertainty.

2. In May 2022 the County Council agreed a four-year Strategic Plan to 2026. The Plan is focused on the services that will make life better for people in Leicestershire and sets out the Council's approach to meeting the many challenges. However, the Council is continuing to operate in an extremely challenging financial environment. Since the 2022-26 MTFS was produced, the financial situation facing the Council has worsened and in preparing its next four-year budget strategy it was described as 'the toughest ever budget.

3. Local authorities which stimulate effective and efficient risk management and strive to create an environment of 'no surprises' should be in a stronger position to deliver objectives, sustain services, achieve better value for money, and promote good corporate governance both within the organisation itself and in tandem with stakeholders and partners. Successful risk management should balance providing sufficient protection from harm, without stifling development and recognising and grasping opportunity, where calculated risk is accepted and even commended. New layers of complexity and risk will always arise, but they bring new opportunities for innovation, collaboration, transformation, community engagement, and new approaches to service delivery.

4. Whilst ensuring that the most vulnerable are protected, the Council embraces an attitude to risk allowing a culture of creativity and innovation, in which in all areas of the business, risks are identified, understood and proactively managed, rather than avoided. Risk management is at the heart of the Council and its key partners. The Council will not shy away from risk but instead seek to proactively manage it. This will allow it not only to meet the needs of the community today, but also be prepared for future challenges.

5. This Policy Statement and supporting Strategy form an integrated framework that supports the Council in the effective management of its risk. The framework provides assurance to its stakeholders, partners and customers that a consistent approach to the management of risks and opportunities of those current, developing and as yet unplanned activities, plays a key role in the delivery and achievement of the vision contained in its Strategic Plan and all of its other plans, strategies and programmes

6. This Policy Statement and Strategy has the full support of Members and Chief Officers, who are committed to embedding risk management throughout the Council and is reliant upon the co-operation and commitment of all management and employees to ensure that resources are utilised effectively.

Signed: John Sinnott Title: Chief Executive Date: January 2024

Leicestershire County Council Risk Management Strategy

1.0 Defining Risk and Risk Management

Leicestershire County Council (the Council) has adopted these definitions of risk and risk management from the ISO31000:2018 'Risk management – guidelines' which are applied in the Association of Local Authority Risk Managers (ALARM) 'Risk management tool kit 2021':

Risk is defined as:
The effect (positive or negative) of uncertainty on objectives

Risk Management is defined as:
Coordinated activities to direct and control an organisation with regards to risk

By managing risk effectively, the Council will be in a better position to safeguard against potential threats and make the most of potential opportunities to and retain and improve services and continue to provide value for money.

This Risk Management Strategy outlines how the Council will use risk management to successfully deliver corporate, departmental and service objectives and priorities.

2.0 Why undertake risk management?

Statutory requirements

Part 2 of the Accounts and Audit Regulations 2015 (Internal Control) places explicit requirements on the Council around risk: -

- Paragraph 3 (c) - the Council must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk;
- Paragraph 4.4 (a - iii) – the Responsible Financial Officer (the Director of Corporate Resources) must determine, on behalf of the Council financial control systems which must include measures to ensure that risk is appropriately managed;
- Paragraph 5 (1) the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management processes.

Local (external) audit requirements

Under the Local Audit and Accountability Act (2014) the Council's local (external) auditor (currently Grant Thornton LLP) is required to satisfy itself that the Council has made proper arrangements for securing economy efficiency and effectiveness in the use of its resources i.e. its value for money arrangements. As part of its work on governance arrangements, the auditor considers how the council monitors and assesses risk and gains assurance over the effective operation of internal controls.

Constitutional requirements

Within the County Council's Constitution, the Corporate Governance Committee (the Committee) has delegated functions[1] regarding risk management

- Part 2: Article 9.03 (Corporate Governance Matters) states at (a) that the Committee has a general role for the promotion and maintenance within the Authority of high standards in relation to the operation of the Council's Local Code of Corporate Governance[2] and in particular to ensure (i) that an adequate risk management framework and associated control environment is in place.
- Part 3: Responsibility for Functions
    - (Corporate Governance Matters) states at (h) that the Committee has a responsibility to monitor the arrangements for the identification, monitoring and management of strategic and operational risk within the Council.
    - Section D: (General scheme of delegation to Chief Officers) states at 5(h) that any exercise of delegated powers by officers, shall have identified and managed appropriate strategic and operational risks within the officer's area of responsibility

[1] These align to the oversight of risk management arrangements as being a core function of a local government Audit Committee as referred to in CIPFA's Guidance on Audit Committees 2022.

[2] The Council's Local Code of Corporate Governance (2022) complies with the 'Delivering Good Governance in Local Government; Framework' (2016), specifically Principle F which advises that good governance is promoted when there is management of risks and performance through robust internal control and strong public financial management.

Leadership Behaviour requirements

Risk management is a central part of the Council's strategic management principles. It is the process whereby managers methodically address risks with the goal of achieving sustained benefit within their own activity and across the portfolio of all activities. The focus of good risk management is the identification and treatment of these risks. Specifically, the Leadership Behaviour 'Think' (taking the time to reflect and analyse) sets expectations for experienced and strategic managers to make informed decisions based on evidence, available information and data, reflecting and evaluating the team's work and performance to make continuous improvements where required.

Management should evaluate risks and opportunities that will improve their service and manage those accordingly, and regularly horizon scan to understand the likely impact on their service, forward planning, weighing up any risks and making future decisions accordingly.

3.0 Benefits of risk management

Risk management is a tool that forms part of the governance system of the organisation. When applied appropriately it can bring multiple benefits - taken from the ALARM 'Risk management tool kit 2021':

Improved operational efficiency	Better delivery of intended outcomes	Maximised opportunities
Reputation protection	Achievement of the organisation's objectives	Reduced losses from workplace accidents and illnesses
Better mitigation of key risks	Demonstration of good governance	Enhanced political and community support
Protection of budgets from unexpected financial losses or increased ability to secure funding	Increased effectiveness of change projects and programmes	Protection of assets
Enabling risk taking in chosen areas	Improved management information to inform decision making and planning	Setting the desired risk culture

4.0 Risk Management Strategy objectives

The objectives of the Council's Risk Management Strategy are to:

- Integrate risk management fully into the culture of the Council and into its corporate and departmental service planning processes (including transforming ways of working). This will support the achievement of the Council's objectives.
- Ensure there is an effective framework for consistently identifying, assessing, managing/ mitigating, reviewing, reporting and communicating risks across the Council.
- Improve the communication of the Council's approach to and importance of risk management.
- Improve the coordination of risk management activity across the Council.
- Ensure that Chief Officers, Members, Corporate Governance Committee and external stakeholders (including service users and the general public) can obtain the necessary assurance that the Council is mitigating the risks of not achieving key priorities and thus complying with corporate governance practice.
- Manage risk in accordance with best practice and ensure compliance with statutory requirements.
- Maintain clear roles, responsibilities and reporting lines for risk management within the Council.
- Measure and partake in regular comparison and benchmarking activity.

5.0 Risk Appetite and Risk Tolerance

The Council recognises that only by taking risks can it achieve its aims and deliver beneficial outcomes to its stakeholders.

The Institute of Risk Management (IRM) defines risk appetite as, “the amount of risk an organisation is willing to take in order to meet its strategic objectives”. A range of appetites exist for different risks and these may change over time.

The IRM defines risk tolerance as, “the boundaries of risk taking outside of which the organisation is not prepared to venture in the pursuit of its strategic objectives”.

Risk appetite and risk tolerance help an organisation determine what high, medium, and low risk is. In deciding this, the organisation can:

- More effectively prioritise risks for mitigating actions
- Better allocate resources
- Demonstrate consistent and more robust decision making
- Clarify the thresholds above which risks need to be escalated in order that they are brought to the attention of senior management and/or Members.

The Chief Officers have collectively agreed that the Council exists in a high-risk environment and that this is likely to continue and even worsen. This will mean continuing to develop an understanding of acceptable risk levels (high, medium or low), depending on their impact and likelihood. Defining levels allows risks to be prioritised, and appropriate actions assigned so that the management of identified risks will be proportionate to the decision being made, or the size of the impact on service delivery.

The Council will take risks in a controlled manner, reducing exposure to a level deemed acceptable. In order to take advantage of opportunities, the Council will support innovation and the imaginative use of resources. However, the Council will seek to control all highly probable risks which have the potential to:

- Cause significant harm to service users, staff and the public.
- Severely compromise the Council’s reputation.
- Significantly impact on finances.
- Significantly impact on the environment.
- Jeopardise the Council’s ability to undertake its core purpose.
- Threaten the Council’s compliance with law and regulation.
- Create opportunity for fraud and corruption or inadvertent loss through error.

Taking the above into consideration, the Council’s current **overall** risk appetite is defined as **‘Open’**. This means that the Council is prepared to consider all delivery options and select those with the highest probability of productive outcomes even where there are elevated levels of associated risk. However, the Council’s risk appetite is determined by individual circumstances depending on the activity. There will be areas where greater risk will be taken in supporting innovation in service delivery. These occasions will be offset by times when it maintains a lower than cautious appetite for example, in matters of compliance with law and public confidence in the Council. Risk appetite can therefore be varied for specific risks, provided this is approved by appropriate officers and/or Members.

Overall, the Council may need to accept a higher level of risk, whilst still being proportionate, in order to meet the growing financial challenges it faces.

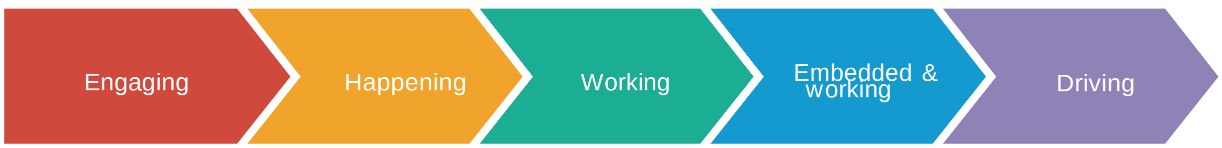
The Council will review risk appetite and tolerance annually to ensure risks are being managed adequately. Please refer to Annexes 1 and 2 for further details.

6.0 Risk Management Maturity

All organisations are on a risk management journey with differing levels of risk management maturity. Risk management maturity refers to how well-established risk management is as a discipline across the organisation.

The Council continues to review its current risk management capability to help it direct resources in the areas that need improvement and further development, ensuring the risk management arrangements remain fit for purpose in this changing environment.

ALARM has developed and published a National Performance Model for Risk Management in Public Services (2016) to illustrate what good risk management looks like in a public service organisation. There are 5 levels.



In 2018 an independent objective review of the Council's risk management arrangements was undertaken by a managing agent of the Council's insurers. The overall conclusion reported was:

"The Council continues to demonstrate a fundamental commitment to embrace risk management as an essential management practice and embed it within the organisational culture. This commitment is evident as many of the essential building blocks needed to maximise the risk management potential of the organisation are now in place."

The report considered that the work undertaken by the Council further strengthened its position in respect of risk management standards and practices, thus increasing the likelihood of it attaining the higher grading of 'risk management is embedded and working' (previously referred to as integrated) (4) if it were to formally benchmark itself utilising the ALARM/CIPFA Benchmarking criteria. Progress continues to be made to implement the report recommendations.

The Council plans to evaluate its risk maturity against ALARM guidance on a three-yearly frequency (maximum[1]). The next review is planned for later this year.

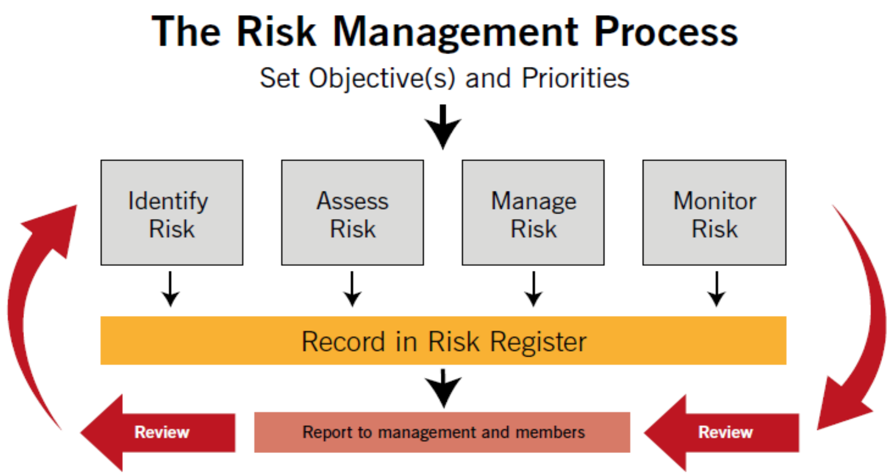
The External Auditor Grant Thornton reported positively on the Council's risk management framework as part of its work on the 2022-23 Value for Money arrangements. Its review of the Strategy did not identify any gaps in arrangements and found that it includes the key elements for a robust approach to managing risk at all levels of the Authority.

The Council also networks and shares information with other similar organisations e.g. East Midland Risk Management Group (Six County Councils, five City/Borough/District Councils) which enables the Council to benchmark its position.

1. Chief Officers have the opportunity at each annual policy review to determine if, because of future events, the tri-annual risk maturity assessment should be more frequent.

7.0 The Risk Management Approach and Process

Risk management is a continual process involving the identification and assessment of risks, prioritisation of them and the implementation of actions to mitigate both the likelihood of them occurring and the impact if they did. The Council's approach to risk management will be proportionate to the decision being made or the impact of the risk, to enable the Council to manage risks in a consistent manner, at all levels.



Explanations of the stages within the risk management process:

Identify risk	Clarify objective(s) and priorities from the Council's Service Planning process and identify risks (or opportunities) which might prevent, delay (or alternatively escalate) achievement of the Council's objectives and determine what are the consequences if this occurs
Assess risk	Assess the inherent risk (Impact & Likelihood) using the Council's risk assessment criteria prior to the application of any existing/known controls i.e. evaluate the "Original risk score" Decide and agree the course of action – treat, tolerate, transfer, terminate or take the opportunity.
Manage risk	Identification and assessment of the controls/actions already in place to mitigate each risk to arrive at the "Current Risk score". If Current Risk score is still high even with controls: • Is the score correct? • Determine the best way to manage the risks e.g. terminate, treat, transfer, tolerate or take the opportunity • Determine whether the cost of implementing further mitigating control is merited when compared to the risk reduction benefits achieved. • Development of further SMART actions (i.e. specific, measurable, attainable, relevant and time-bound) and assign target dates and responsible officers to achieve the desired "Target Risk score".
Monitor, Review and Report	Use the Risk Management Matrix and Risk Tolerance levels to determine the frequency of review, monitoring, risk escalation and reporting.

Annex 2 provides details of the risk measurement criteria, risk map, risk escalation and reporting arrangements.

8.0 Application - Service, Department, Corporate & Specialist Risks

It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant stakeholders that adequate measures have been taken to manage risks. To support this, risk management has been integrated into the Council's corporate departmental business planning process. By using the risk methodology, key risks facing the Council, or a particular service area, will be identified and managed. The escalation of risks ensures that Senior Management has a clearer picture on risks facing service areas. This helps in overall decision-making processes by allowing the allocation of resources or review of areas of concern.

There is an established framework in which consistent application of the process should ensure the flow of appropriate risk information across the Council as follows:

Service and Department Risks

The Council's Risk Management Strategy requires that risks linked to delivery of Service and/or Departmental priorities are identified, along with appropriate mitigating actions. A risk assessment exercise must be carried out on all new service/business plans. Risks which may affect delivery of Departmental priorities must be logged in the Departmental Risk Register.

Heads of Service are responsible for identifying risks arising from their service plans, assessing their likelihood of occurrence and potential impact using the Risk Matrix Criteria and logging them, if necessary, in their Departmental Risk Registers for review at Departmental Management Teams (DMT) regularly, setting clear accountability for managing risks and undertaking further actions/additional controls within the defined timescales. Departmental Risk Champions are available to support the identification and assessment of risks.

Corporate (and high scoring Departmental) risks - Corporate Risk Register (CRR)

This process will provide Chief Officers and Members with a central record of corporate risks, to ensure consideration is given to high scoring, strategic cross cutting (or Departmental) risks that could impact the financial, political or reputational arena.

- Each quarter, Departmental Risk Champions and management teams will review Department Registers to identify and consider risks for escalation to the CRR, either individually or consolidated from Departmental Risk Registers.

- The Internal Audit Service will confirm that the quarterly reviews have been consistently undertaken, provide a level of challenge to the outcomes and co-ordinate the production and reporting of the CRR, through to Chief Officers and Corporate Governance Committee.
- Whilst most risks are expected to come through this route it might not capture all of the strategic risks facing the Council. Therefore, horizon scanning, information from relevant publications and minutes from key meetings will also provide a basis for including additional risks on the CRR.
- A more detailed update of the CRR (providing additional information on current and further controls/actions on how the risks are being mitigated), is presented annually to the Spring Committee.

Specialist areas of risk

Project, Programme and Portfolio Risks

Risks which could impact on achieving the objectives of projects or programmes will be managed through the appropriate Project or Programme Board and associated governance structures. However, where Project or Programme risks impact upon strategic or departmental objectives then consideration should be given as to whether those risks should be identified, assessed and escalated to the appropriate Departmental, Portfolio or Corporate Risk Register. In the case of Projects and Programmes, the decision to escalate to a departmental, portfolio or corporate level, is ultimately the responsibility of the relevant Senior Responsible Officer (SRO) or Sponsor, supported by the appropriate Project or Programme Board.

When a project or programme is closed, the relevant closure report should identify any risks (or issues) that need to transfer to Business as Usual (BAU) ensuring specific and appropriate ownership is identified and clearly articulated. Where appropriate these risks may need to be escalated to the relevant Departmental or Corporate Risk Register.

Partnerships

Risks which could impact on achieving the partnership's objectives will be managed through the appropriate Partnership Board and associated governance structures. However, where partnership risks impact upon strategic or departmental objectives then consideration should be given as to whether those risks should be identified, assessed, and escalated to the appropriate Departmental or Corporate Risk Register. The Council's approach for identifying, assessing and managing risk within partnerships will be developed over the forthcoming year.

Health, Safety & Wellbeing Risks

The Health, Safety & Wellbeing Service provides advice and guidance to managers and staff on all aspects of Health, Safety and Wellbeing. In addition to providing advice and support, the Health, Safety & Wellbeing Service also helps to monitor the performance of the organisation through audits and inspections, set targets for continual improvement, provide operational training and awareness for staff and also respond to accidents/ incidents in order to ensure they are adequately investigated, and the likelihood of further harm is reduced. Regular reports are provided to the Departmental Management Teams, the Chief Executive, Chief Officers, and the Council's Employment Committee. A separate risk assessment process is in place.

In addition to this we offer an employee counselling service.

Resilience and Business Continuity

Business Continuity Management (BCM) is complementary to a risk management framework that sets out to understand the risks to the Council, and the consequences of those risks.

By focusing on the impact of disruption, BCM identifies the services which the Council must deliver as a priority and can identify what is required for the Council to continue to meet its obligations. Through BCM, the Council can recognise what needs to be done before an incident occurs to protect its people, premises, technology, information, supply chain, stakeholders, reputation and importantly the services that the Council delivers to the people of Leicestershire. With that recognition, the Council can then take a realistic view on the responses that are likely to be needed as and when a disruption occurs, so that it can be confident that it will manage any consequences without unacceptable delay in delivering its services.

The Resilience and Business Continuity Team co-ordinates the preparation of business continuity and response plans both at the corporate, departmental and service levels. Such plans aim to minimise the likelihood and/or impact of a business interruption by identifying and prioritising critical functions as well as the resource requirements, roles and responsibility requirements in response to allow appropriate planning to take place.

The Resilience and Business Continuity Team presents an annual report to Corporate Governance Committee.

Risk Financing

Risk financing is the process which determines the optimal balance between retaining and transferring risk within an organisation. It also addresses the financial management of retained risk and may best be defined as money consumed in losses, funded either from internal resources or from the purchase of 'external' insurance (such as the catastrophe cover provided by the Council's external insurers) which acts as a risk transfer mechanism and reduces the financial risk to the Council. Simply put, it is how an organisation will pay for loss events in the most effective and least costly way possible. Risk financing involves the identification of risks, determining how to finance them, and monitoring the effectiveness of the financing technique chosen. Self-insurance and commercial insurance policies are options for risk transfer schemes though the effectiveness of each depends on the size of the organisation, its financial situation, the risks it faces, and its overall objectives. Risk financing seeks to choose the option that is the least costly, but that also ensures that the organisation has the financial resources available to continue its objectives after a loss event occurs.

Under normal circumstances the Council is largely self-insured but transfers the larger risks to insurance companies by contributing premiums. In the event of a financial loss, the Council is entitled to indemnity, subject to the terms and conditions that are in place.

The Insurance Service provides a comprehensive and professional insurance service including arranging insurance provisions and other related insurance activities as well as managing new and outstanding claims. It procures professional broker services to provide additional information, guidance and safeguards.

The Insurance Service presents an annual report to Corporate Governance Committee.

Property and Occupants Risk Management

Following the tragic events of both the Grenfell Tower fire and high-profile terrorism attacks during 2017, a corporate group was established, initially to review fire safety risk across the Council's owned and procured properties but was widened to incorporate the Council's identification and management of terrorism and marauder risk. The span of property and people related risks is considerably wider now than when the group was established. The group is chaired by the Head of Internal Audit & Assurance Service and meets quarterly. It contains a wide breadth of representatives from the Council's services and has regular inputs from the Council's insurers and brokers and has links to the emergency 'blue light' services.

The Group reports to the Director of Corporate Resources (six monthly), Chief Officers as and when required if a significant matter arises but also annually to note work undertaken, findings and progress and agree the next year's plan of work, and annually to the Corporate Governance Committee.

The Group's Terms of Reference were revised and reviewed against other property themed groups to ensure there was no duplication, nor gaps in requirements. There will be consideration of the Council's responsibilities under the Government's Prevent and Protect duties.

The Group presents an annual update on work undertaken and planned for the forthcoming year to Corporate Governance Committee.

Counter Fraud

The Internal Audit Service undertakes a biennial Fraud Risk Assessment (FRA). This process, along with both national and local fraud intelligence received, acknowledges the risk of fraud throughout the Council and is an integral step towards how fraud risk is managed. Fraud risk areas are graded as part of this process. Recognising fraud in this manner ensures there is a comprehensive understanding and knowledge about where potential fraud and bribery/corruption is more likely to occur, including new and emerging fraud risks. This in turn directs the Council's overall Anti-Fraud and Corruption Strategy and further allows the Council to direct counter fraud resources accordingly. Consequently, the outcome of the FRA process informs the internal audit annual planning process.

Regular updates are provided to the Corporate Governance Committee on counter fraud and related initiatives.

Information & Technology (I&T) and Data Protection Risks

A safe and secure I&T infrastructure underpins the working of the Council, both technically and in terms of data protection. To support this, I&T Service holds and maintains its own divisional risk register which, where appropriate will feed through to the Departmental and Corporate Registers. Regarding data protection, the Information Governance Team develop, maintain and monitor compliance with a wide range of policies designed to protect information and data.

Regarding the ever-increasing threat to cyber security, the Council has established a Technical Security Officer role with responsibility for identifying emerging threats and risks, maintaining the cyber risk register and planning, and delivering ongoing activities to implement mitigations. The Officer reports to the Information Security Governance Group (ISGG) which is a forum for cyber security policy, risk, strategy, and best practice. The ISGG also plays a key role in ensuring the organisation secures Public Services Network (PSN) compliance and its annual PSN certificate, which is necessary for maintaining access to central government and agency information systems. Active threats are shared with other councils through Warning, Advisory and Reporting Points (WARPs) and takes guidance from the National Cyber Security Centre (NCSC). Cyber security is integrated into the corporate risk management process.

Climate Change Risks

The Climate Change Committee (CCC) is an independent, statutory body established under the Climate Change Act 2008. Its purpose is to advise the UK on emissions targets and to report to Parliament on progress made in reducing greenhouse gas emissions and preparing for and adapting to the impacts of climate change. The CCC publishes an Independent Assessment of UK Climate Risk (to inform Government). The Government then publishes its own Climate Change Risk Assessment (known as CCRA) which endorses and summarises the CCC's independent assessment, sets out the overall government approach, responds in detail to those priority risks identified by the CCC and finally it produces a National Adaptation Programme.

Officers in the Environment Policy & Strategy team refer to the CCC's Independent Assessment of UK Climate Risk and the Government's corresponding risk assessment in order to influence their work identifying high priority risks that have some relevance to the County Council. Officers have identified three groups of services based on their key functions in relation to climate and weather-related risks. They conduct interviews to identify, review, and assess risks, and review main policy documents and service risk registers. A comprehensive review and risk assessment exercise was completed and a report produced in 2022. The exercise identified 8 high risks and 56 medium risks across the council services assessed. The report also made a number of recommendations including working with service areas to develop action plans to mitigate identified high risks and of the need to develop a Climate Adaptation and Resilience Strategy and Action Plan for the area. Due to limited staff capacity it has not been possible to progress action on all the report recommendations, in particular working with high risk service areas on action plans and developing an area wide climate adaptation and resilience strategy. Work will be taking place to re-prioritise workload within the Environment Policy & Strategy team, with a view to freeing up capacity so progress can take place on the climate adaptation work.

Discussions are also taking place with partners to explore how work could be undertaken to start developing an area wide strategy.

Support

The above processes will be supported by the following:

- Ownership of risks (at appropriate levels) assigned to Chief Officers, managers and partners, with clear roles, responsibilities and reporting lines within the Council.
- Incorporating risk management into corporate, service and business planning and strategic and partnership working.
- Use of the ALARM Risk Management Toolkit throughout the Council
- Providing relevant training on risk management to officers and Members of the Council that supports the development of wider competencies.
- Learning from best practice and continual improvement.
- Seeking best practice through inter-authority groups and other professional bodies e.g. ALARM.

9.0 Risk Management Roles and Responsibilities - structure

The following structure is unique to the Council and is influenced by its risk management maturity, resource capacities, skills sets, internal operations and existing operating structures. The Council's risk management framework aligns to existing structures and reporting lines. **Full details** of risk management roles and responsibilities can be found in Annex 3.

Leadership	Corporate	Departmental	Assurance Services
• Cabinet	• CGC	• DMT	• Risk Management*
• Lead Members	• CRMG	• Heads of Service	• Internal Audit
• Chief Officers		• Programme/ Partnerships	• Governance
		• Risk Champions	
		• Staff	

* The Head of Internal Audit & Assurance Service (HoIAS) is responsible for the administration and development of, and reporting on, the Council's risk management framework (RMF). The Public Sector Internal Audit Standards (PSIAS), require that this 'impairment' to independence and objectivity is recorded in the Internal Audit Charter (approved by CGC in November 2016) and (to avoid any conflict of interests) any audits of the RMF are overseen from a manager outside of the Service.

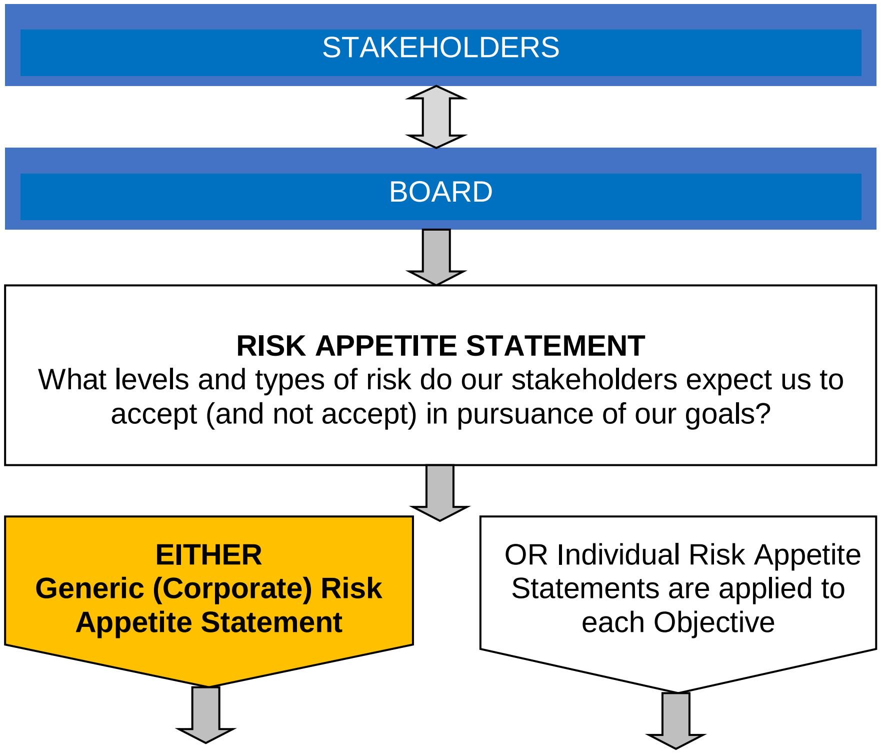
10. Continuous Improvement

Regulators and risk management professionals advise that it is good practice to continuously improve risk management methodologies in line with recommendations from regular assessments and adapt to changing economic conditions.

To this effect, the Council's Risk Management Policy and Strategy and related documents will be reviewed at the specified frequency or after the release of new legislation or government guidance that affects risk governance, internal controls, financial management or the regulatory regime for public service organisations. They will also be reviewed following the results of any audit /review by Internal Audit Service or an external third party.

Annex 1

Risk Appetite



GENERIC (CORPORATE) RISK APPETITE STATEMENT AND RISK CATEGORY TYPES

AVOID	No appetite. Not prepared to accept any risks.	**Risk Categories Examples**: Health & Safety, Business Critical systems, Customers, Safeguarding, Data Security, People, Climate Change /Extreme Weather
AVERSE	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.	
CAUTIOUS	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.	Delivery partners, Non - critical systems,
MODERATE	Tending always towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes.	
OPEN	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.	Leadership; Devolution; Growth and Infrastructure Collaboration; Alternative delivery models; Integration; Transformation; Digital; Commercial trading, Property investment, Suppliers.
HUNGRY	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.	

Annex 2

Risk Impact Measurement Criteria

Scale	Description	Department Service Plan	Internal Operations	People	Reputation	Impact on the Environment	Impact from*1 the Environment	Financial per annum / per loss *2
1	Negligible	Little impact to objectives in service plan	Limited disruption to operations and service quality satisfactory	Minor injuries	Public concern restricted to local complaints	None or insignificant damage		<£50k
2	Minor	Minor impact to service as objectives in service plan are not met	Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality.	Minor Injury to those in the Council's care	Minor adverse local / public / media attention and complaints	Minor local impact	Minor damage	£50k-£250k Minimal effect on budget/ cost
3	Moderate	Considerable fall in service as objectives in service plan are not met	Sustained moderate level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory	Potential for minor physical injuries / Stressful experience	Adverse local media public attention	Moderate local impact	Moderate damage and risk of injury	£250k - £500k Small increase on budget/ cost: Handled within the team/service
4	Major	Major impact to services as objectives in service plan are not met.	Serious disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services. Significant disruption of core activities. Key targets missed.	Exposure to dangerous conditions creating potential for serious physical or mental harm	Serious negative regional criticism, with some national coverage	Major local impact	Major damage and risk to life	£500-£750k. Significant increase in budget/cost. Service budgets exceeded
5	Very High/ Critical	Significant fall/failure in service as objectives in service plan are not met	Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services	Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple serious injuries	Prolonged regional and national condemnation, with serious damage to the reputation of the organisation i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers	Major regional or national impact.	Wide scale damage and risk to life	>£750k Large increase on budget/cost. Impact on whole council

* Note that a different financial rating is used for the pension fund investments

Risk Likelihood Measurement Criteria

Rating Scale	Likelihood	Example of Loss/Event Frequency	Probability %
1	Very rare/unlikely	EXCEPTIONAL event. This will probably never happen/recur.	<20%
2	Unlikely	Event NOT EXPECTED. Do not expect it to happen/ recur, but it is possible it may do so.	20-40%
3	Possible	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.	40-60%
4	Probable /Likely	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue.	60-80%
5	Almost Certain	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.	>80%

Risk Scoring Matrix

Impact

5 Very High/Critical	5	10	15	20	25
4 Major	4	8	12	16	20
3 Moderate	3	6	9	12	15
2 Minor	2	4	6	8	10
1 Negligible	1	2	3	4	5
	1 Very Rare/Unlikely	**2 Unlikely**	**3 Possible/Likely**	**4 Probable/Likely**	**5 Almost certain**

Likelihood

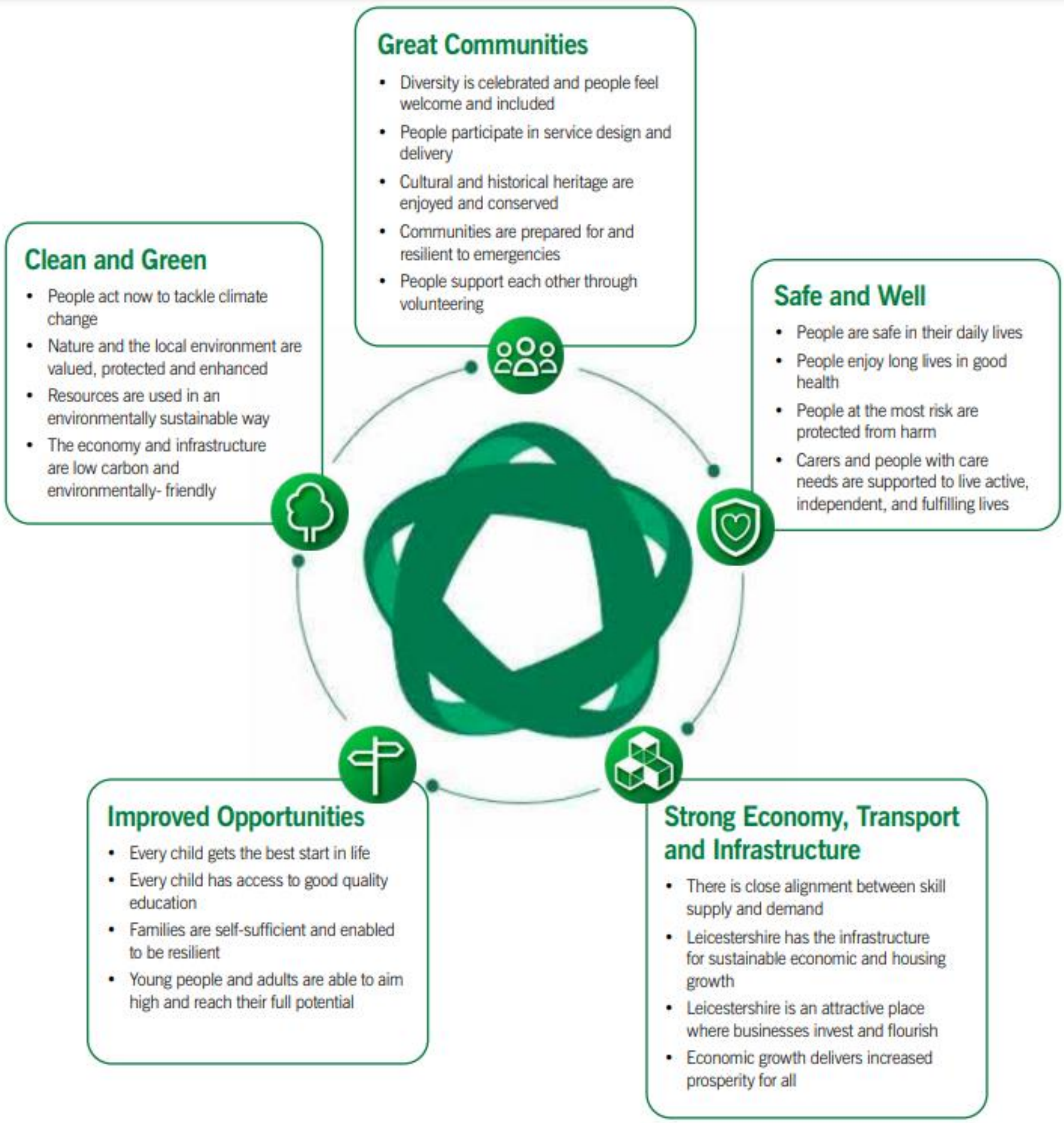
Risk Tolerance/Reporting Criteria

Tolerance Levels	**Original /Current Risk Score**	**Expected Actions by Risk and Action Owners**	
White	1 to 2	Controls	No action required
		Monitoring =	No action required
		Escalation =	No action required
Low	3 to 6	Accept Risk or Maintain Controls	Existing controls may be sufficient. No additional controls are required unless they can be implemented at very low cost (in terms of time, money, and effort). Actions to further reduce these risks are assigned low priority.
		Monitoring =	Review six monthly /Reporting to Service Area
		Escalation =	Service Area manager
Medium	8 to 12	Maintain Controls or Further Controls to reduce rating	Controls required but consider in light of 4 Ts-Consideration should be as to whether the risks can be lowered, where applicable, to a tolerable level, but the costs of additional risk reduction measures should be taken into account (time, money and effort).
		Monitoring =	Continued Proactive Monitoring/Review at quarterly / Reporting to DMT
		Escalation =	Business Partners / Relevant AD / DMT
High	15 to 25	Further Action/Controls to reduce rating	Controls and further actions necessary. Substantial efforts should be made to reduce the risk. Arrangements should be made to ensure that existing controls are maintained. The risk reduction measures should be implemented within a defined period.
		Monitoring =	Continued Proactive Quarterly Monitoring / Report to CGC
		Escalation =	Chief Officers /Lead Member

A Departmental risk with a current risk score of 15 or more **must** be escalated to Chief Officers (either as an addition to the Corporate Risk Register, or as an emerging risk for further debate). Risks with a current risk score of 15 will still appear on Department's registers but should only be excluded from the Corporate Risk Register after debate and approval from Chief Officers.

Aligning Corporate risks to the Strategic plan outcomes

The Corporate Risk Register should ensure risk management is aligned to the Council's Strategic Plan 2022-2026 (see diagram below) to successfully deliver corporate, departmental and service objectives and priorities.



Risk Management Roles & Responsibilities – Detail

Leadership:

Cabinet

Understands the key risks facing the Council, determines the level of risk and ensures risk management is delivered to mitigate risks by:

- Ensuring that a risk management framework has been established and embedded.
- Approving both the Council's Risk Management and Insurance Policy Statements and Strategies as part of the Medium-Term Financial Strategy.
- Ensuring relevant risk considerations (if relevant) are included within reports which may have significant strategic policy or operational implications.

Lead Members

- Responsibility for gaining an understanding of the risks facing their area of accountability (in conjunction with the relevant Director) and periodically reviewing how these risks are being managed. This also includes the role of the Transformation Member Board in managing Portfolio level risk.

Chief Officers

Leading and ensuring effective management, monitoring and review of risk management across the Council by:

- Establishing a control environment and culture in which risk can be effectively assessed and managed.
- Directing the level of risk, the Council is prepared to accept (appetite and tolerance levels).
- Encouraging the promotion of risk awareness, rather than risk avoidance.
- Reviewing and, approving the Council's corporate and strategic risks on the CRR quarterly and their importance against the Council's vision and priorities.
- Taking the role of Transformation Delivery Board in managing Portfolio Level risk.
- Taking the role of Crisis Management Group in managing any future significant responses e.g. pandemic.
- Assisting with the identification of significant new and emerging risks as they become known - for consideration and addition to the CRR.
- Following the review and approval of the CRR, Chief Officers to determine whether a potential reputation or consultation matter needs to be forwarded to the Communication Unit.
- Providing challenge to the risk scoring mechanism to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control).
- Ensuring their respective portfolio lead members are regularly briefed on departmental (and corporate) risks.

- Ensuring that risk assessments (if appropriate) are detailed in Cabinet or Scrutiny reports upon which decisions are based.
- Reviewing annually both the Council's Risk Management and Insurance Policy Statements and Strategies.

Corporate:

Corporate Governance Committee (CGC)

Provides assurance for the Council that risk management is undertaken and effective by:

- Reviewing the effectiveness of the risk management and internal control framework.
- Reviewing the Council's Risk Management Strategy and how it is being implemented.
- Receiving regular progress reports on the CRR and other risk management related initiatives.
- Reviewing, scrutinising and challenging the performance of the Council's risk management framework; including reviewing progress against planned actions from the previous quarter.
- Receiving presentations on specific areas of risk.
- Receiving reports from Internal and External Audit to determine the extent to which they indicate weaknesses in control, risk management and governance arrangements.

Corporate Risk Management Group (via Departmental Risk Champion)

Provides assurance that the risk management framework and its processes are working as intended and are effective by:

- Acting as the main contact for their department and its management on risk matters (including specialist risks (H&S, Insurance etc.).
- Representing their department at the Corporate Risk Management Group.
- Encouraging the promotion of risk awareness, rather than risk avoidance.
- Assisting in the implementation of any revisions to the risk management framework and promoting use of the Risk Management Toolkit.
- Providing coaching, support and advice on risk management to Chief Officers, Heads of Service and other managers within their service/department.
- Providing support to the other departments' Risk Champions.
- Maintaining on behalf of the service Chief Officers and Heads, a departmental risk register that complies with corporate guidelines.
- Providing regular risk updates to DMT's as per the agreed reporting criteria and risk timetable.
- Providing challenge to the risk scoring mechanism to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control).
- Ensuring that corporate risk information and requirements are communicated to their department.
- Assessing the relevance of corporate, other departmental service, programme, project and partnership risks and their impact on their department.
- Reviewing cross cutting risk areas where risks of one department impacts on the risks of another.
- Providing overview and scrutiny to the results of the Fraud Risk Assessment process, in relation to departmental risks.

- Providing regular updates to the Internal Audit Service for corporate risks to enable reporting to the Chief Officers and Corporate Governance Committee.

Departmental:

Departmental Management Teams (DMT)

Ensuring that risk management is implemented in line with the Council's Risk Management Strategy by:

- Appointing a Risk Champion for the department and authorising them to progress effective risk management that adheres to corporate guidelines, across their services.
- Ensuring that risk management is integrated within the annual service planning process.
- Taking full ownership of risks within their departmental risk register and agreeing risk mitigation actions, with defined timescales and responsibilities – including those departmental risks that are also in the CRR.
- Reviewing and challenging risk registers for their Service Areas on a quarterly basis if appropriate.
- Adhering to the corporate risk reporting timetable so that DMT meetings and risk monitoring tasks are aligned.
- Ensuring that the CRR accurately reflects only those key strategic risks facing the Council. The DMT scrutiny process should encompass a review of all departmentally identified corporate risks (new and those already identified), to critically evaluate the following:
    - Whether the risk is an ongoing corporate risk
    - Are all mitigating actions identified? Are they SMART (i.e. specific, measurable, attainable, relevant and time-bound)? Are they working adequately or are additional actions necessary?
    - The current risk score (Impact and Likelihood) is accurate and is not 'over-scored' in terms of likelihood particularly if a range of current controls have been identified as embedded and working adequately
    - Only consider any further actions/additional controls after determining whether any cost of implementing further mitigating control is merited when compared to the risk reduction benefits achieved. If required, further actions should also be SMART and record 'expected timeframe/due date' which should improve the robustness of the target risk impact and likelihood scores
- Receiving reports on risk management activity and review key risks regularly.
- Undertaking regular departmental horizon scanning for new or emerging risks, ensuring communication of these through appropriate channels and incorporation within the Departmental Risk Register if appropriate.
- Suggesting recommendations for the removal of current corporate risks that are considered as lower levels of risk.
- Taking ownership of identifying and managing project, partnership and business as usual risks effectively, and escalating risks to the Portfolio, Departmental or Corporate risk register where appropriate.
- Ensuring that risk management considerations are included in all Cabinet, Scrutiny and Regulatory bodies reports in respect of strategic policy decisions.
- Providing assurance on the effectiveness of risk management within their department as part of the Annual Governance Statement process.

- Following the review and approval of the Departmental Risk Register, DMTs to determine whether a potential reputation or consultation matter needs to be forwarded to Communication Unit.

Heads of Service

Providing assurance to DMT's that risks within their service are being managed effectively by:

- Ensuring that risk management within their area of responsibility is implemented in line with the Council's Risk Management Strategy (i.e. identify, assess, manage and monitor).
- Managing risks on a day-to-day basis.
- Adhering to the risk scoring mechanism (original, current and target risk scores) outlined in the Strategy to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control).
- Communicating the results of their service risk assessment to the DMT via their Risk Champion, demonstrating effectiveness of controls in place to mitigate/reduce service risks.
- Managing risks from their areas of responsibility that have been included within the departmental risk register. Where further actions/additional controls are necessary, ensure they are completed by the planned completion date.
- Identifying new and emerging risks or problems with managing known risks and escalating to the Risk Champion where appropriate.
- Assessing fraud risk within their service areas as part of the Fraud Risk Assessment process.
- Ensuring that they and their staff are aware of corporate requirements, seeking clarification from their Risk Champions when required.
- Identifying risk training needs of staff and informing this to Risk Champions.
- Using the Risk Management Toolkit and guidance.

Programme/Project/Partnerships

Providing assurance that project, programme and partnership risks and their impact are managed and communicated effectively by:

- Ensuring risk management is a regular item on Partnership/Programme/Project Board agendas.
- Reviewing and monitoring risks identified on programme/project/partnerships risks, ensuring that suitable controls are in place and working, or that plans are being drawn up to strengthen existing controls or put in place further controls.
- Identifying new and emerging risks or problems with managing known risks, ensuring communication of these through appropriate channels.
- Escalating appropriate Project, Programme or Partnership risks to the relevant Departmental Portfolio, or Corporate Risk Register where those risks may impact at a Departmental, Portfolio or Corporate level – ultimately the project or programme SRO/Sponsor is accountable for ensuring this happens.
- Ensuring any ongoing risks or issues identified at Project/Programme closure are transferred to the relevant business owner and where appropriate are escalated to Departmental or Corporate Risk Registers.

Risk Champions

- See Corporate section

Staff

- Taking responsibility for gaining an understanding of the risks facing their area of accountability.
- Report promptly perceived failures in existing control measures that could increase risk.
- Take due care to understand and comply with the risk management processes and guidelines of the Council.

Assurance Services

Risk Management function (in conjunction with the Director of Corporate Resources):

Provide assurance that the flow of risk information throughout the Council is working and effective to produce and maintain the Corporate Risk Register by:

- Leading in the development and implementation of the risk management framework and promoting use of the Risk Management Toolkit.
- Meeting with departments as per the risk management timetable to review and challenge risk registers and emerging risks.
- Identify any potential future internal audit requirements to the Head of Internal Audit & Assurance Service.
- Coordinating risk management activity across the Council with the support of Departmental Risk Champions/Representatives.
- Collating the changes to departmental risks and ensure that the Corporate Risk Register is amended to reflect current position.
- Regular horizon scanning (in conjunction with Chief Officers, DMT Risk Champions and the Head of Internal Audit & Assurance Service) of information from relevant publications and minutes from key meetings to provide a basis for including additional risks on the Corporate Risk Register.
- Reporting progress on the Corporate Risk Register and other risk management related initiatives to the Chief Officers, Corporate Governance Committee and Cabinet as per the risk management timetable.
- Supporting Departmental Risk Champions/Representatives in their risk management role.
- Communicating corporate risk management information and requirements.
- Reviewing the Risk Management Policy Statement and Strategy at least annually to reflect best practice and initiate improvements.
- Arranging for the review of risk management maturity; benchmarking scrutiny and challenge.
- Establishing links with external groups and organisations in order to gain knowledge and share best practice on risk management issues.
- Agreeing mechanisms for identifying, assessing and managing risks in key partnerships.
- Supporting the development and delivery of relevant risk training.

Assurance function (Internal Audit Service)

Review and challenge the effectiveness of the risk management framework, providing independent assurance about the quality of controls that managers have in place, by:

- Creating a risk-based audit plan that is aligned wherever possible to the Corporate Risk Register and the Departmental Risk Registers and other drivers, e.g. biennial Fraud Risk Assessment.
- Testing and validating existing controls, with recommendations for improvement on identified control weaknesses.
- Reporting outcomes to Directors and Corporate Governance Committee.
- Monitoring changing risk profiles based on audit work undertaken, to adapt future audit work to reflect these changes.
- Conduct relevant audits of the risk management framework and maturity but overseen by a manager independent to the Service.
- Take account of any commentary/improvements recommended by the External Auditor in its annual review of Value for Money arrangements.

Annex 4

Action Plan

This Strategy sets out the developments/actions the Council proposes over the short-term future to further improve risk management maturity. These developments include the following actions:

Action	Frequency	Target Implementation Date
To review and revise the Council's Risk Management Policy Statement and Strategy and related guidance with endorsement from Chief Officers and Corporate Governance Committee.	Ongoing	26 January 2024
Encourage DMTs and Risk Champions to align Risk Registers to their 2024-25 business planning objectives.	Annual	April/May 2024
Update and communicate through Manager's Digest, the Council's intranet Risk Management pages to include; • Revised Risk Management Policy & Strategy • All relevant guidance on methodologies and processes, including the revised Risk Assessment Criteria and Map • Who to contact: details of the risk management "network", • Links to further information and guidance e.g. ALARM web-site	Annual	March 2024
Develop options for Collaboration Office 365 space by Department for updates to Departmental Risk Registers.		
Introduce and continuously develop key performance indicator(s) for risk management activity to maintain and improve the maturity rating.	Ongoing	
Develop a training matrix to identify the levels of training that need to be attained by staff at different levels in the organisation. Explore differing options e.g. Face to face, external training. Explore the free training offering from the Council's Insurance providers.		
To liaise with ALARM and East Midlands Regional Group to develop and implement guidance to ensure risks associated with partnerships are captured, particularly where the Council is the lead accountable body. Intranet to be updated accordingly.	Quarterly	As part of EMRMG meetings.
Develop E Learning for Risk Management		c/f to summer 2024
Undertake independent Risk Maturity Assessment and implement an Action Plan to address any recommendations.	Triennially	c/f to autumn 2024

APPENDIX J

RESERVES POLICY 2024/25

The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement. There is no set formula for deciding what level of reserves is appropriate – it is dependent on each Council's individual circumstances and S151's Officer's assessment of the Council's financial risks.

General Fund Balance

The level of the General Fund balance 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 general fund expenditure over the medium term, subject to the key consideration of sustainability.

Holding non earmarked funds is an essential component of risk management in that it helps the County Council to manage unforeseen financial events that may arise in year without the need to make immediate offsetting savings. This allows better decisions to be made and reduces 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 £24m (3.9%), by the end of the MTFS is below that range reflecting the tighter financial pressures of the Council. The Council will continue with the current strategy of increasing the General Fund balance annually where possible until it is within target level.

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

Earmarked Reserves

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

1) Risk – reserves held to cover specific and identified risks. This includes the Insurance earmarked reserves – to meet the estimated cost of future claims not covered by insurance policies.
2) Capital and Renewals - to fund the Council's capital programme or to enable services to plan an effective programme of systems, equipment and vehicle replacement. These earmarked reserves are a mechanism to allow a sensible replacement programme, that can vary in size from one year to the next depending upon need, without the requirement to vary annual budgets.
3) Grants - unspent ring-fenced grants, which must be spent on specific purposes, such as the Public Health grant.
4) Budget Equalisation and Transformation - support one off costs to enable transformational and organisational change, including those required for delivery of savings, or to provide a contingency for future MTFS funding gaps.

5) Planned future revenue spend - 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.
6) Other earmarked reserves will be set up from time to time to meet predicted liabilities or unforeseen issues that arise.

Reserves are not suitable for on-going service commitments unless there is a clear exit plan.

Given the increased financial pressures, a range of measures is in place as set out below.

- Departments are to identify specific and potential need for planned expenditure to be funded from reserves. Where approved these will be held centrally as earmarked funds.
- After allowing for this, general departmental reserves, above a specific allowance, to enable departments to manage day to day, smaller, essential interventions etc, will be centralised. These allowances are shown below:
    - 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.
- General departmental reserves should be used to manage in-year pressures before requesting corporate funding.
- All reserves above this amount to be considered for transfer to the general fund.
- Trading surpluses, over and above what is built into service budgets, 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 are treated outside of the above measures but a clear plan of purpose for each reserve is required to be produced.

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

Schools' Earmarked Funds

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

Monitoring Policy

The levels of earmarked reserves and balances are monitored regularly throughout the year. Reports will be taken to members as part of the MTFS and at year end.

Grant Thornton UK LLP, the County Council's external auditor, reviews the level of earmarked funds held by the County Council as part of its value for money review of the current MTFS. The latest available report, from 2022/23, reported no issues.

APPENDIX K

EARMARKED RESERVES BALANCES

	Revised Balance 01/04/23 £000	Forecast Balance 31/03/24 £000	Forecast Balance 31/03/25 £000	Forecast Balance 31/03/26 £000	Forecast Balance 31/03/27 £000	Forecast Balance 31/03/28 £000
Renewal of Systems, Equipment and Vehicles	1,970	1,750	1,530	1,340	1,150	960
Trading Accounts						
Corporate Asset Investment Fund	430	1,150	2,470	3,830	5,200	5,720
Insurance						
General	10,310	11,120	11,730	12,340	12,950	13,570
Uninsured loss fund	5,190	5,190	5,190	5,190	5,190	5,190
Committed Balances						
Community Grants	20	0	0	0	0	0
Other						
Children & Family Services						
Supporting Leicestershire Families	500	500	0	0	0	0
C&FS Developments	3,070	100	50	0	0	0
Youth Offending	750	900	650	400	150	0
Other	380	280	130	80	80	80
Adults & Communities						
A&C Developments	1,360	400	70	70	70	70
Adult Learning Service	190	130	130	130	130	130
Public Health	8,430	7,270	3,990	1,050	400	290
Environment & Transport						
E&T Developments	170	0	0	0	0	0
Commuted Sums	2,710	2,210	1,710	1,210	710	210
LLITM	1,300	250	90	220	350	480
Major Projects - advanced design	600	290	370	220	310	430
Waste Developments	1,190	280	230	0	0	0
Section 38 Income	460	0	0	0	0	0
Other	150	150	110	110	110	110
Chief Executive						
Economic Development-General	280	200	130	70	70	70
Chief Executive Dept Developments	430	330	230	150	120	100
Other	50	10	0	0	0	0
Corporate Resources						
Other	420	450	340	320	290	240
Corporate:						
Transformation Fund	9,450	4,950	650	0	0	0
Broadband	1,770	2,500	1,750	1,000	1,000	1,000
Business Rates Retention	570	570	570	570	570	570
Elections	300	500	700	100	300	500
Budget Equalisation	40,510	56,520	65,500	76,190	83,590	90,790
Carbon Neutral Investment Fund	2,000	2,000	2,000	2,000	2,000	2,000
Capital Financing (phasing of capital expenditure)	136,410	126,090	52,520	6,560	3,520	870
Pooled Property Fund investment *	-24,770	-24,770	-24,770	-24,770	-24,770	-24,770
TOTAL	**206,600**	**201,320**	**128,070**	**88,380**	**93,490**	**98,610**
Schools and Partnerships						
Dedicated Schools Grant	-30,160	-40,940	-57,400	-73,570	-88,770	-105,630
Active Together	1,480	1,260	930	470	60	0
Health & Social Care Outcomes	13,100	6,250	1,900	570	570	570
Emergency Management	860	860	860	860	860	860
East Midlands Shared Services - other	10	0	0	0	0	0
Leicestershire Safeguarding Children Board	170	150	130	110	90	70
Leics Social Care Development Group	30	30	30	30	30	30
Total	-14,510	-32,390	-53,550	-71,530	-87,160	-104,100

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

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APPENDIX L

INSURANCE POLICY 2024

Leicestershire County Council's (the Council's) insurance programme is arranged in conjunction with its appointed Insurance Brokers. This is Marsh Limited which was appointed from 1 February 2023 for an initial period of 12 months, with options to extend for a further 3 years in annual increments.

Potential losses are covered by a combination of self-insurance and a range of policies held with insurance companies, which are renewed on an annual basis. The process to identify the level of self-insured retention against the insurance required is based on several factors. These include the reduction in premium (including associated premium tax currently 12%) to be achieved by altering the excess levels weighed up against the Council's ability to meet an increased exposure, for example by way of a spike in claims received due to external factors like the weather and for one-off large losses.

'Aggregate stop limits' are in place which cap the potential exposure to the Council on an annual basis by reducing the self-insured retention levels (excess) significantly once the limit has been breached.

The Council's Insurance Programme is currently insured via Risk Management Partners (RMP) with liability and motor risks underwritten by QBE and property risks underwritten by American International Group (AIG). The current insurance arrangements have been in place since 2014 following an OJEU compliant Tender. The tender was awarded based on a long-term agreement covering a maximum 10-year period with various break points during the contract.

The following policies/covers are currently in place as of 1st October 2023:

Class of Insurance	**Limit of Indemnity / Basis of Cover**	**Aggregate Stop Limit if applicable**	**Self-insured retention/excess**
Employers' Liability	£50m – Cover written on an any one occurrence basis via QBE.	£3.5m	£425,000
Public Liability	£50m - Cover written on an any one occurrence basis	£3.5m	£425,000
Officials Indemnity	£10m – Cover written on an aggregate basis	£3.5m	£250,000
Professional Indemnity	£10m - Cover written on an aggregate basis	£3.5m	£75,000
Fidelity Guarantee	£10m - Cover written on an aggregate basis	N/A	£100,000

Motor	Comprehensive	N/A	£1,250 (only applying to own vehicle damage)
Material Damage & Business Interruption (Non-Education)	Day One Reinstatement Business Interruption £25m Increased Cost of Working (ICOW) (48 months)	£1m	£500,000
Material Damage & Business Interruption (Education)	Day One Reinstatement Business Interruption £25m ICOW (48 months)	£1m	£500,000
Material Damage & Business Interruption (Commercial including Industrial Units)	Day One Reinstatement Business Interruption £25m ICOW (48 months)	N/A	£250
Material Damage & Business Interruption (Farms)	Day One Reinstatement Business Interruption £25m ICOW (48 months)	N/A	£500
Terrorism	Select properties Business Interruption £25m (48 months)	N/A	Nil

The Council will re-procure its entire Insurance Programme starting from 1 October 2024.

Using information on claims, premiums and claims handling costs, RMP reviewed the Council's current programme including the types and levels of cover and self-insured retention (SIR) limits (known as a Total Cost of Risk (TCoR) exercise). RMP presented very positive findings on the Council's approach to mitigating its liability, property and motor risks, its management of claims and its sensible pragmatic approach to risk financing. It predicted that as things stood it didn't expect a great difference in the position over the next 10 years but advised to review the TCoR again every 3 years in case claims data changed. More detail on the TCoR was reported to Corporate Governance Committee on 22 September 2023.

An annual revenue contribution is required to allow the Council to fund claims within the self-insured retention limits, thus aiming to prevent a detrimental impact on service budgets. The level required is assessed annually as part of the MTFS, based upon a number of factors including the current claims experience and anticipated future changes. For example, new heads of claims which may emerge.

The amount of funding required from the Council, can vary significantly each year. This can be due to one off catastrophic incidents occurring, such as a large building fire, or simply the timing of when claims are reported culminating in an increased volume of claims covering one particular period.

For own property damage claims, and fidelity (theft) claims, there is usually a short delay between incident and notification. It is therefore a more straightforward process to set aside appropriate funding for annual losses but retaining a focus on catastrophic events which occur on a less regular basis, but which have a greater financial impact.

Assessing liability claim levels is more difficult, due to the nature of claims that the Council receives, claims will have been incurred but not reported within the financial year of the incident. A number of years can elapse before a liability claim is concluded.

Earmarked funds are held to allow for years of exceptionally high claims, both in terms of volume and value, to be covered without detriment on the annual revenue budget. The earmarked funds for these classes are subject to an annual internal assessment to ensure that they are maintained at suitable levels in order to meet ongoing financial commitments. In addition, provisions are held for claims received that are awaiting settlement, the level being based on an assessment of the likely liability.

An external independent actuarial review of the Council's in-house Liability Insurance Fund and Uninsured Loss Fund as at 1st October 2022, was undertaken by Gallaghers (Arthur J Gallaghers Insurance Brokers Ltd) and concluded in early 2023. The outcomes have enabled a reduction in the annual revenue contribution and a release of one smaller specific reserve to general purposes. The other larger specific reserves remain under review as the MTFS progresses.

The Insurance Service employs experienced claims negotiators who handle all liability claims brought against Leicestershire County Council up to the delegated authority limits as agreed with the insurer.

The claims handling delegated authority extends to cover investigations into allegations of negligence and provides authority to take decisions on liability. The Council's claims negotiators, its Legal Services team and external solicitors and other approved experts, work in partnership to defend litigated claims.

The Insurance Service has traditionally been subject to annual audits undertaken on behalf of the Insurance Company. The outcome of these audits could ultimately have implications on the agreed delegated authority limits resulting in reduced autonomy over decisions of liability and settlement negotiations. Outcomes have generally been exceptional (highest rating).

More details on the principles of risk financing are to be found in the Council's Risk Management Policy Statement and Strategy 2024.

Revised January 2024

Next due December 2024

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APPENDIX M

EFFECT OF COUNTY COUNCIL'S BUDGET DECISION ON 2024/25 COUNCIL TAX

BAND	(APRIL 1991 VALUE)	Proportion of Band D	Main element	ASC Precept	County Council's Element
			£	£	£
A	(Up to £40,000)	6/9	913.28	154.44	1,067.72
B	(£40,001 - £52,000)	7/9	1,065.49	180.18	1,245.67
C	(£52,001 - £68,000)	8/9	1,217.71	205.92	1,423.63
D	(£68,001 - £88,000)	1	1,369.92	231.66	1,601.58
E	(£88,001 - £120,000)	11/9	1,674.35	283.14	1,957.49
F	(£120,001 - £160,000)	13/9	1,978.77	334.62	2,313.39
G	(£160,001 - £320,000)	15/9	2,283.20	386.10	2,669.30
H	(Over £320,000)	2	2,739.84	463.32	3,203.16

PRECEPT 2024/25

BILLING AUTHORITY	Tax Base	Precept £
Blaby	34,505.83	55,263,868
Charnwood	59,678.60	95,580,088
Harborough	38,921.90	62,336,560
Hinckley and Bosworth	39,788.00	63,723,689
Melton	20,110.57	32,208,698
North West Leicestershire	37,079.00	59,385,007
Oadby and Wigston	18,367.98	29,417,800
Total	248,451.88	397,915,710

2024/25 COUNCIL TAX BILL (COUNTY COUNCIL ELEMENT)
(EXAMPLE USING BAND D - % INCREASES APPLY TO ALL BANDS)

	2023/24 £	2024/25 £	Increases *
Main Element (core)	1,324.31	1,369.92	2.99%
ASC Precept **	201.15	231.66	2.00%
Total	1,525.46	1,601.58	4.99%

* per Government guidance each percentage is calculated as an increase to the 2023/24 total of £1,525.46

** The following paragraphs are required to be included with information to be made available to bill-payers. They explain that the County Council can raise an additional amount of Council Tax, for adult social care, without requiring a referendum.

"The Secretary of State made an offer to adult social care authorities. ("Adult social care authorities" are local authorities which have functions under Part 1 of the Care Act 2014, namely county councils in England,district councils for an area in England for which there is no county council, London borough councils, the Common Council of the City of London and the Council of the Isles of Scilly.)

The offer was the option of an adult social care authority being able to charge an additional "precept" on its council tax without holding a referendum, to assist the authority in meeting its expenditure on adult social care from the financial year 2016-17. It was originally made in respect of the financial years up to and including 2019-20. If the Secretary of State chooses to renew this offer in respect of a particular year, this is subject to the approval of the House of Commons."

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APPENDIX N

TREASURY MANAGEMENT STRATEGY STATEMENT 2024-25

MINIMUM REVENUE PROVISION STATEMENT AND ANNUAL INVESTMENT STRATEGY

Introduction

1. This strategy statement has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice. Accordingly, the Council's Treasury Management Strategy will be approved annually by the full Council and there will be quarterly reports to the Corporate Governance Committee.

2. The Corporate Governance Committee consider the contents of the Treasury Management Strategy Statement, including the Minimum Revenue Provision Policy Statement and Annual Investment Strategy, annually at its meetings in January of each year. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

3. In December 2021 CIPFA published revised Treasury Management and Prudential Codes of Practice with formal adoption required from the 2023/24 financial year. The Codes require an Authority to ensure that:

    - it defines its risk appetite and its governance processes for managing risk.
    - it sets out, at a high level, its investment policy in relation to environmental, social and governance aspects.
    - it adopts a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained.
    - it does not borrow to finance capital expenditure to invest primarily for return.
    - increases in the Capital Financing Requirement (CFR) and borrowing are undertaken solely for purposes directly and primarily related to the functions of the Council. Where any financial returns are related to the financial viability of the project in question, they should be incidental to its primary purpose.
    - an annual review is conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt.
    - its capital plans and investment plans are affordable and proportionate.
    - all borrowing/other long-term liabilities are within prudent and sustainable levels.
    - risks associated with commercial investments are proportionate to overall financial capacity to sustain losses.
    - treasury management decisions are in accordance with good professional practice.

- reporting to members is undertaken quarterly, including updates of prudential indicators.

4. The Prudential Code also requires the Council to produce an annual Capital Strategy. This is reported annually to the Council in February as part of the MTFS. The Capital Strategy is a high-level corporate document covering the following areas:

- strategic context
- corporate priorities
- available resources
- affordability
- capacity to deliver
- risk management

5. The Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

6. The Act requires the Council to set its treasury strategy for borrowing and to prepare an Annual Investment Strategy (for Treasury Management investments) - this is included in later paragraphs of this strategy. It sets out the Council’s policies for managing its treasury management investments and for giving priority to the security and liquidity of those investments.

7. This Strategy should be read in conjunction with the Investing in Leicestershire Programme (IiLP) strategy, which sets out the Council’s approach when considering the acquisition of investments for the purposes of inclusion within the IILP (which includes investments held primarily for financial return), and the Capital Strategy, which sets out the Council’s approach to determining its medium term capital requirements (investments for service delivery). These documents form part of the Medium Term Financial Strategy (MTFS) and together take into account the statutory guidance issued by the Secretary of State under the Local Government Act 2003.

8. Treasury management, arises from the organisation’s cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use, i.e., balances in the Council’s bank accounts resulting from the Council’s day to day activities, that are not yet required. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments. covered in this strategy.

9. Service delivery - investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is “either related to the financial viability of the project in

question or otherwise incidental to the primary purpose". This is covered in the Capital Strategy.

10. Commercial return - investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an Authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An Authority must not borrow to invest primarily for financial return. This is covered in the IILP strategy.

Economic Background

11. The following economic update is based on the Council's external Treasury Management advisors' (Link group) update provided in December 2023.

12. The third quarter of 2023/24 saw:

- A 0.3% m/m decline in real Gross Domestic Product (GDP) in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%
- A sharp fall in wage growth, with the headline 3 month year on year (3myy) rate declining from 8.0% in September to 7.2% in October, although the Office for National Statistics (ONS) "experimental" rate of unemployment has remained low at 4.2%
- Consumer Price Index (CPI) inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November
- Core CPI (which excludes food and energy) inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022
- The Bank of England holding rates at 5.25% in November and December
- A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.

13. In their December update Link predicted that the revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.

14. Since Link provided this economic update, the ONS have announced that they estimate monthly GDP to have grown by 0.3% in November 2023, perhaps pointing to the possible avoidance of a recession in 2023.

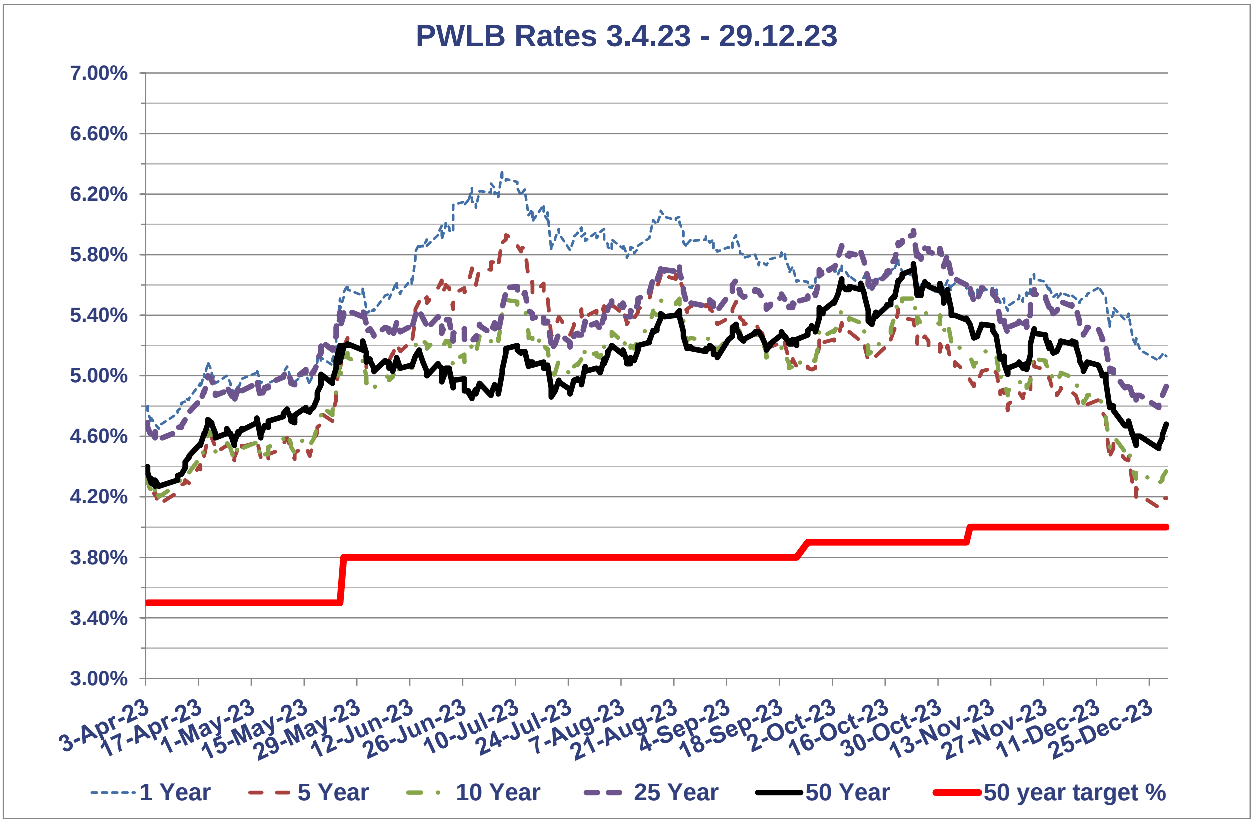
15. Markets expect that real GDP won't move much during 2024 due to the drag from higher interest rates but as interest rates start to reduce in the second half of 2024 a potential recovery in GDP growth will manifest itself in 2025.

16. CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November - bigger than expected falls. Also, the fall in core CPI inflation from 5.7% to 5.1% in November (lowest rate since January 2022) was bigger than expected. This will give the Bank of England more confidence that services inflation is now on a firmly downward path.

17. The Bank of England left interest rates at 5.25% for the third time in a row. The Bank's MPC maintained its stance saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". This implies that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.

18. The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields. Yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely.

19. The chart below shows how gilt yields (and hence PWLB rates) rose in the first half of 2023/24, before falling away in later months.



HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

TREASURY MANAGEMENT STRATEGY 2024-25

Key Considerations

20. This proposed strategy for 2024/25 in respect of the treasury management function is based upon officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Link Group.

Background

21. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's risk appetite prioritising security, adequate liquidity and investment return in that order of importance.

22. The second main function of treasury management is the funding of the Council's capital programme. The capital programme sets out the borrowing need of the Council, the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any existing long term debt may be restructured to reduce risk or costs.

23. The contribution the treasury management function makes to the Council is critical as the balance of debt and investment operations ensure the Council can meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. As cash balances result mainly from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance. To reduce the impact of high levels of inflation eroding the value of cash balances, and to increase diversification, the Council will consider other forms for investments, such as pooled investment funds.

Reporting

24. The Council has adopted the following reporting arrangements in accordance with the requirements of the Treasury Management Code:-

Area of Responsibility	**Council/Committee/Officer**	**Frequency**
Treasury Management Policy Statement	Full Council	Annually before start of financial year
Treasury Management Strategy/Annual Investment Strategy	Full Council	Annually before start of financial year
Quarterly Treasury Management and Prudential Indicator updates	Corporate Governance Committee	Quarterly
Updates or revisions to Treasury Management Strategy/Annual Investment Strategy during year	Cabinet (following consideration by Corporate Governance Committee, wherever practical)	Ad hoc
Annual Treasury Outturn Report	Cabinet	Annually by end of September following year end
Treasury Management Practices	Director of Corporate Resources	
Review of Treasury Management Strategy/Annual Investment Strategy	Corporate Governance Committee	Annually before start of financial year and before consideration by full Council, wherever practical
Review of Treasury Management Performance	Corporate Governance Committee	Annually by end of September following year end

Training

25. The CIPFA Treasury Management Code requires the chief financial officer to ensure that members with responsibility for treasury management receive adequate training in treasury management.

26. As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.

27. Training is provided for all new members and further training is arranged as required. Also Link provided a focused training session on treasury management for all members of the Corporate Governance Committee during the 2023/24

financial year. A self-assessment of knowledge and skills will be undertaken during 2024.

28. The training needs of treasury management officers are also periodically reviewed. A formal record of the training received by officers central to the Treasury function will be maintained by the Head of Finance. Similarly, a formal record of the treasury management training received by members will also be maintained by the Head of Finance.

Treasury Management Consultants

29. External investment managers will not be used, except to the extent that a Money Market Fund or the managers of pooled property or private debt funds can be considered as an external manager.

30. The Council uses Link Group as its external treasury management adviser, but recognises that responsibility for treasury management decisions remains with the Council at all times. Undue reliance on the Council's external advisers will be avoided, although the value of employing an external adviser and accessing specialist skills and resources is recognised.

31. The Council also uses Hymans Robertson LLP and Colliers, for specialist advice in respect of its investments made outside of temporary lending, for example properties and private debt.

32. The Council recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

Capital Prudential Indicators

Capital Financing Requirement

33. The Capital Financing Requirement (CFR) measures the Council's need to borrow for capital purposes. It is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any unfunded capital expenditure plans, i.e. not funded through a revenue or capital resource, will increase the CFR.

34. The Council is forecast to be overborrowed as at 31 March 2024 by £18m. This being noted, there remain are a number of reasons that the Council is in an 'overborrowed' position but among them are historic long-term borrowing with unattractive early repayment options, the containment of new borrowing for the capital programme and the meaningful levels of voluntary Minimum Revenue Provision (MRP) that have been applied in recent years.

35. The proposed MTFS capital programme for 2024-28 includes a requirement to increase the Capital Financing Requirement (CFR) by £93m by 2027/28. This will

fund essential investment in service improvement, investment for growth and invest to save projects. Due to the levels of internal cash balances, which would otherwise be available to lend to banks, no new external loans are forecast to be required in the short to medium term and instead will be funded from internal borrowing.

36. A large proportion of the increase in the CFR includes forward funding of infrastructure projects in advance of developer contributions through section 106 agreements or land sales, and spend to save schemes. The expectation is that this will allow cash balances to be replenished in the next 5-10 years. By the end of the MTFS, 2027/28, the forecast position on the CFR will revert from being over-borrowed to under borrowed by £55m.

37. The table below shows how the Capital Financing Requirement is expected to change over the period of the MTFS, and how this compares to the expected level of external debt. Whilst debt rescheduling opportunities were taken during 2023/24, it should be noted that the latest interest rate and PWLB yield forecasts indicate that options for the premature repayment of existing debt will return to being prohibitively expensive. If there are cost-effective opportunities to avoid, or reduce, an overborrowed position they will be considered as long as they are in the best long-term financial interests of the Council. This will require both short and long-term borrowing rates to further increase meaningfully from their current level.

	2024/2025 £000	2025/2026 £000	2026/2027 £000	2027/2028 £000
Opening Capital Financing Requirement	**201,585**	**195,354**	**213,780**	**238,345**
New Borrowing	-	24,661	31,419	37,355
Statutory Minimum Revenue Provision (MRP)	-6,231	-6,234	-6,854	-7,643
Voluntary MRP	0	0	0	0
Closing Capital Financing Requirement	**195,354**	**213,780**	**238,345**	**268,058**
Opening external debt	**219,501**	**214,165**	**213,665**	**213,165**
Loans maturing	-5,336	-500	-500	-500
Closing external debt	**214,165**	**213,665**	**213,165**	**212,665**
Overborrowed/(borrowing requirement)	**18,811**	**(115)**	**(25,180)**	**(55,393)**

Minimum Revenue Provision (MRP)

38. The Local Authorities (Capital Finance and Accounting) Regulations 2003 require local authorities to charge to their revenue account in each financial year a minimum amount to finance capital expenditure. This is referred to as Minimum Revenue Provision (MRP). The Council is required to calculate a prudent provision of MRP which ensures

that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

39. In the context of significant medium term financial pressures the council continues to review the efficiency and effectiveness of all aspects of spend. In 2019/20 the Council reassessed the expenditure that is required under statute relating to a prudent Minimum Revenue Provision. Based on the average economic remaining life of assets held it amended the MRP calculation for supported and unsupported borrowing to a period of 40 years, which reduced the MRP charge to around £6m per annum.

40. The ‘asset life’ method is in line with the Capital Finance and Accounting Regulations 2003 and is consistent with reviews undertaken by many other Local Authorities when reviewing their MRP policy / methodology. This approach provides; a lower charge in the earlier years and is prudent as it is built on asset life, and a straight line charge, rather than a reducing balance.

41. It should be noted that the revised approach does not change the overall amount of MRP payable; the same amount is simply repaid over a different time period, but is more aligned with the period over which the underlying assets provide benefit. The MRP strategy can be found in Annex 1 to this strategy.

42. Overall capital financing costs (MRP and external debt interest) are forecast to be £17.4m in 2024/25 and then rise to £18.6m in 2027/28 as a result of the requirement for new borrowing. This estimate assumes the required new borrowing is from internal cash balances. The capital financing costs do not include the cost of interest returns foregone by using internal cash balances, this will be reflected in a reduction to the bank and other interest budget.

Prudential and Treasury Indicators for 2024-28

43. Prudential and treasury indicators (as set out in the tables in Annex 2 to this strategy) are relevant for the purpose of setting an integrated treasury management strategy. The Council has adopted the CIPFA treasury management code.

44. The prudential and treasury management indicators include:

- Capital Expenditure
- Capital Financing Requirement
- Ratio of total financing costs to net revenue stream
- Ratio of net income from commercial investments to net revenue stream
- Liability benchmark
- Upper and lower limits to the maturity structure of borrowing
- Upper limits for long term treasury management investments

45. The liability benchmark provides a long term projection of external debt and the capital financing requirement, including treasury management loans. There are four components to the benchmark:

- Existing loan debt outstanding: the Council’s existing loans that are still outstanding in future years.
- Loans CFR per the approved MTFS
- Net loans requirement: gross loan debt less treasury management investments

- Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

46. The benchmark will be referred to before any borrowing decisions are made.

Borrowing

47. The treasury management function ensures that the Council's cash is organised so that sufficient cash is available to meet the day to day requirements of the Council and the funding required for the capital programme. This will involve both the organisation of the cash flow and the requirement for borrowing facilities.

Current Portfolio Position

48. The overall treasury portfolio position at 31st December 2023 was:

		Principal £m	Average Rate %
Fixed Rate Funding (borrowing)	PWLB	116.0	7.60
	Market	103.5	4.37
	Total Borrowing	219.5	6.08
Total Investments		411.8	5.53
Net Investment		195.5	

49. The market debt relates to structures referred to as LOBOs (Lenders Option, Borrowers Option), where the lender has certain dates when they can increase the interest rate payable and, if they do, the borrower has the option of accepting the new rate or repaying the loan. All of these LOBOs have passed the first opportunity for the lender to change the rate and as a result they are all classed as fixed rate funding, even though, in theory, the rates could change in the future.

50. The Council's average rate of return on its short-term treasury investments is 5.53% (as at 30 Dec 23).

Treasury Limits for 2024/25 to 2027/28

51. It is a statutory duty for the Council to determine and keep under review how much it can afford to borrow. The amount determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Borrowing Limit represents the legislative limit specified in the Act.

52. The Council must have regard to the Prudential Code when setting the Authorised Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax level is 'acceptable'.

53. Whilst termed an "Affordable Borrowing Limit" the capital plans to be considered for inclusion incorporate financing by both borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the

forthcoming financial year and three successive financial years. Details of the Authorised Limit can be found in Annex 2 to this Strategy.

Prospects for Interest Rates

54. The Council's treasury advisor, Link Group, have provided the following revised forecasts as at 8 January 2024 to assist the Council to formulate a view on interest rates.

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.80	4.30	3.80	3.30	3.20	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.60	4.10	3.70	3.20	3.20	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Additional notes by Link -

Our central forecast for interest rates was previously updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).

Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

55. For the Public Works Loan Board (PWLB) estimated rates, Link Group advises that the short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than forecast at that point. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Euro-zone. At the time of writing, there is c. 70 basis points difference between the 5-year and 50-year rates.

56. The overall balance of risks to economic growth in the UK is even.

57. Downside risks to current forecasts for UK gilt yields and PWLB rates include:

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- **Geopolitical risks,** for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

58. Upside risks to current forecasts for UK gilt yields and PWLB rates:

- Despite the tightening in Bank Rate to 5.25%, the **Bank of England allows inflationary pressures to remain elevated** for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Projected **gilt issuance, inclusive of natural maturities and quantitative tightening**, could be too much for the markets to comfortably digest without higher yields compensating.

Borrowing Strategy

59. The Council is currently overborrowed but is forecast to be under borrowed by the end of the MTFS in 2027/28. Under borrowed means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with external loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure, called internal borrowing. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy.

60. Borrowing rates very rarely move in one direction without there being periods of volatility, and it is sensible to maintain a flexible and proactive stance towards when borrowing should be carried out (if, indeed, any borrowing is taken). Likewise it is sensible to retain flexibility over whether short, medium or long-term funding will be taken and whether some element of variable rate funding might be attractive. Any borrowing carried out will take into account the medium term costs and risks and will not be based on minimising short term costs if this is felt to compromise the medium term financial position of the Council.

External v Internal Borrowing

61. The Council currently has significant cash balances invested, and at the end of December 2023 these stood at £412m. These balances relate to a number of different items, reserves, provisions, grants received in advance of expenditure and simple cash flow are some of them. It also relates to the overborrowed position outlined earlier.

62. As mentioned earlier the new MTFS capital programme includes a funding requirement of £93m. Due to the levels of internal cash balances and the interest return compared with the cost of raising new external debt it is more economical to temporarily utilise internal cash balances

63. The Council has over the last 10 years repaid more than £140m of external loans than has been borrowed. The position is that the Council has more external borrowing than is required to fund the historic capital programme (forecast £18m as at 31/03/2024). This will be reversed as new borrowing is required to fund the new capital programme by the end of 2027/28. If an opportunity to repay debt occurs that is sensible from a financial perspective, it will be taken.

64. The balance between internal and external borrowing will be managed proactively, with the intention of minimising long-term financing costs.

65. In line with the requirements of the Prudential Code, and before any increase in the CFR is required, the Council will undertake an annual review of options to exit investments held primary for return (those included in the IiLP Strategy). The reviews evaluate the benefit of holding such assets with taking out new borrowing and any risk reduction benefits. No prudential borrowing is currently estimated until 2025/26.

Policy on borrowing in advance of need

66. The Council will not borrow in advance of need simply to benefit from earning more interest on investing the cash than is being paid on the loan. Where borrowing is required in the approved capital programme, and value for money can be demonstrated by borrowing in advance, this option may be taken, but only if it is felt that the money can be invested securely until the cash is required. This allows borrowing to be taken out at an opportune time rather than at the time expenditure is incurred.

67. In determining whether borrowing will be taken in advance of the need the Council will:

- ensure that there is a clear link between the capital programme and maturity profile of existing debt which supports taking financing in advance of need
- ensure that the revenue implications of the borrowing, and the impact on future plans and budgets have been considered
- evaluate the economic and market factors which might influence the manner and timing of any decision to borrow
- consider the merits (or otherwise) of other forms of funding
- consider a range of periods and repayment profiles for the borrowing.

Debt Rescheduling/Premature Debt Repayment

68. Debt rescheduling usually involves the premature repayment of debt and its replacement with debt for a different period, to take advantage of differences in the interest rate yield curve. The repayment and replacement do not necessarily have to happen simultaneously, but would be expected to have occurred within a relatively short period of time.

69. If medium and long-term loan rates rise substantially in the coming years, there may be opportunities to adjust the portfolio to take advantage of lower rates in shorter periods. It is important that the debt portfolio is not managed to maximise short-term interest savings if this is felt to be overly risky, and a maturity profile that is overly focussed into a single year will be avoided. Changes to the way that PWLB rates are set, and the introduction of a significant gap between new borrowing costs and the rate used in calculating premia/discounts for premature debt repayments, significantly reduces the probability of debt rescheduling being attractive in the future.

70. If there is a meaningful increase in medium and long-term premature repayment rates there is a possibility that premature repayment of existing debt (without any replacement) might become attractive, particularly given the current overborrowed position. This type of action would only be carried out if it was considered likely to be beneficial in the medium term.

71. All debt rescheduling or premature repayments will be reported to the Corporate Governance Committee at the earliest meeting following any action taken.

Annual Investment Strategy

Investment Policy – Management of Risk

72. The Department for Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of physical assets and service investments, are covered in the Capital Strategy and the IiLP Strategy.

73. The Council's investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021.

74. The Council's investment priorities are security first, portfolio liquidity second and then yield. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security, liquidity, inflation expectations and with regard to the Council's risk appetite.

75. The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. The Council's policy in respect of deciding which counterparties are acceptable has always been stringent.

76. In broad terms the list of acceptable counterparties uses the list produced by Link Group (the Council's treasury management advisor) but excludes any party that is included in the Link list with a maximum loan maturity period of 100 days or less. All counterparties are also restricted to a maximum loan period of one year.

Creditworthiness Policy

77. Link's methodology includes the use of credit ratings from the three main credit rating agencies; Standard & Poor, Fitch and Moody's. The credit ratings of counterparties are supplemented with the following overlays:
    - "Watches" and "outlooks" from credit rating agencies;
    - Credit Default Swap (CDS) spreads that may give early warning of changes in credit ratings;
    - Sovereign ratings to select counterparties from only the most creditworthy countries.

78. This modelling approach combines credit ratings, and any assigned watches and outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of bands which indicate the relative creditworthiness of counterparties. These are used by the Council to determine the suggested duration for investments. The Council further restricts the list of acceptable counterparties from the base list provided by Link, details are described in Annex 3.

79. Link Group issues timely information in respect of changes to credit ratings or outlooks, and changes to their suggested counterparty list are also issued. These reports are monitored within a short time of receipt and any relevant changes to the counterparty list are actioned as quickly as is practical. A weekly summary of the credit ratings etc. of counterparties is also issued and this gives an opportunity to ensure that no important information has been missed.

Country Limits

80. The Link criteria includes a requirement for the country of domicile of any counterparty to be very highly rated. This is on the basis that it will probably be the national government which will offer financial support to a failing bank, but the country must itself be financially able to afford the support. The Council's list of acceptable counterparties will include a limit on the maximum amount that can be invested in all counterparties domiciled in a single country (except for the UK) in order to mitigate sovereign risk. All bank loans are made in sterling.

UK Local Authorities

81. The counterparty list from Link does not include Local Authorities, due to credit ratings not being available for the majority of organisations. Having never defaulted in history, UK Local authorities and levying authorities are and have always been regarded as safe counterparties.

82. Despite the difficult financial situation that many Local Authorities find themselves in, the legal basis underpinning them and their requirement to repay loans has not changed. It is considered very unlikely that one will be allowed to collapse and default on its debt. The language used to describe the financial position of Local Authorities and companies is very similar. However, the actual position is very different. Despite Government cuts to grants Local Authorities are in control of the majority of their income, due to their tax-raising powers. To regain a balanced budget service reductions can take place without a corresponding income reduction. Companies do not have this ability and if a service is cut by them, all of the related income stops. Historically when public sector re-organisations have taken place, resulting in the cessation of one or more entities, Central Government has nominated successor organisations. These organisations take on all of the historic assets and liabilities of the original entities. If a limited company ceases trading the known liabilities can only be settled out of the assets held by the company at that time.

83. Local Authorities remain very low risk counterparties and it is extremely unlikely that loans would not be repaid in full, on time and with full interest. The Council's treasury management advisors are aware of local authorities being on the list of authorised counterparties and are supportive of it, and comfortable that they remain low-risk counterparties. There is evidence that lending between local authorities continues to happen, including to those that have been highlighted as in very difficult financial positions.

Counterparty List

84. The combination of all these factors produces a counterparty list, for the County Council, which comprises only very secure financial institutions, and a list that is managed pro-actively as new information is available.

85. There is a requirement within the Annual Investment Strategy to state which of the approved methods of lending are specified, and which are non-specified. In broad terms a specified investment will be capable of repayment within one year and be made to a counterparty with a high credit rating; by implication non-specified investments are riskier than specified investments as they are either for longer periods of time or to lower-quality counterparties. Anything that does not meet either of these ‘tests’ is, by default, non-specified and must be highlighted as such within the Strategy. The long-term nature of the ‘LOBO-offset’ loan to Danske Bank means that it is non-specified investment, although the off-setting nature of the borrowing and the loan actually makes it low risk. Investment in pooled private debt and capital release funds are also non-specified, primarily due to the illiquid and medium-term nature of the investment.

Investment	Repayment within 12 months	Level of Security	Maximum Period	Maximum % of Portfolio or cash sum[1]
Term deposits with the Debt Management Office	Yes	Government-Backed	1 year	100%
UK Government Treasury Bills	Yes	Government-Backed	1 year	100%
Term deposits with credit-rated institutions with maturities up to 1 year[2] (including both ring fenced and non-ring fenced banks)	Yes	Varied acceptable credit ratings, but high security	1 year	100%
Term deposits with overseas banks domiciled within a single country.	Yes	Varied acceptable credit ratings, but high security	1 year	£50m
Private Term deposits that are legally capable of offset against existing LOBO borrowing that the Council has[3]	No	Varied, but off-setting nature of borrowing against loan gives a very low risk	20 years	25%
Money Market Funds: Constant NAV[4] Low Volatility NAV[5]	Yes	At least as high as acceptable credit – rated banks	Daily, same-day redemptions and subscriptions	£160m (includes any investment in variable NAV MMFs)
Variable NAV Money Market Funds[6]	Yes	At least as high as acceptable credit – rated banks	Same day subscriptions, 2 – 3 day redemption period	£160m (includes any investment in other MMFs)
Pooled private debt funds	No	Diversification within pooled fund and historic loss rate suggests high security	Varies across funds – likely to be at least a three year investment period, followed by a further three years to redeem all loans	£50m (£30m plus temp £20m overlap at renewal)
Pooled bank capital release funds	No	Diversification within pooled fund, resilience of SME loans to default and historic loss rate suggests high security	Varies across funds – likely to be at least an 18 month investment period, followed by a further 5 years to redemption	£20m
Term Deposits with UK Local Authorities up to 1 year	Yes	LA’s do not have credit ratings, but high security	1 year	50%

Certificates of Deposit with credit-rated institutions with maturities of up to 1 year	Yes	Varied acceptable credit ratings, but high security	1 year	100%

(1) As the value of the investment portfolio is variable, the limit applies at time of agreeing the investment. Subsequent changes in the level of the portfolio will not be classed as a breach of any limits.
(2) For administrative purposes a commitment may need to be made in advance of the investment period commencing. To avoid being overexposed with a counterparty this will be kept to a few days.
(3) Non-specified investment
(4) Funds where the capital value of a unit will always be maintained at £1. These funds have to maintain at least 99.5% of their assets in government backed assets.
(5) Funds are permitted to maintain the unit price at £1 as long as the net asset value does not deviate by more than 0.20% from this level.
(6) Funds will value their units on the basis of the underlying value of the assets that they hold; the unit price will not necessarily always be exactly £1

86. Following the lasting implications of the Covid-19 pandemic, in particular, the demonstration that unforeseeable events can very quickly cause significant uncertainty and shock financial markets, it is recognised that in exceptional circumstances the Director of Corporate Resources, in order to protect capital balances and liquidity, may have to take immediate action that breaches the above policy on a temporary basis. The action will only be taken as a last resort and will be reported, along with the rationale behind it, to the Corporate Governance Committee at the first opportunity.

Pooled Property / Infrastructure Fund Investments

87. As at December2023 £22.2m is held in pooled property investment funds, and £8.5m in pooled infrastructure investment funds. These are classified as investments, as part of the IiLP strategy, rather than treasury management investments. Types of pooled infrastructure include, energy infrastructure, including renewables, water treatment works and transport infrastructure such as rail and air terminals.

Investment Strategy

88. The investment strategy shall be to only invest in those institutions and/or asset types that are included in the counterparty list, and only to lend up to the limit set for each counterparty. Periods for which loans are placed will take into account the outlook for interest rates and, to a lesser extent, the need to retain cash flows. There may be occasions when it is necessary to borrow to fund short-term cashflow issues, but there will generally be no deliberate intention to make regular borrowing necessary.

Environmental, Social and Governance (ESG) Policy

89. The Council is committed to being a responsible investor at all times. Responsible investment means to recognise the importance of the long-term health and stability of the financial markets, and to understand that this depends on key external non-financial factors, such as the environment, social stability and strong governance. Collectively, these factors are often referred to under the umbrella of ESG.

90. The Council’s objective is to recognise all these risks, to mitigate them where possible and thereby improve the security of its portfolio in the long-term.

91. Within these risks, the Council has identified climate change as a long-term, material and systemic financial risk with the potential to significantly impact the treasury portfolio and the Council's financial resilience over time. Therefore, the Council seeks to:

- Minimise exposure to counterparties and investments heavily impacted by climate change risk;
- Increase exposure to sectors, counterparties and investments, such as renewables, whose activities aid the transition to a lower carbon world and economy;
- Contribute meaningfully to an improved economically sustainable future locally and nationally, without sacrificing security.

92. The Council sees positive social impact also as a key mitigation to aid long-term financial stability, and as a meaningful contribution to the local, regional and national economy. Good governance meanwhile is also critical to safeguarding the Council's reputational risk.

93. The Council will incorporate ESG issues into its analysis and decision making processes when considering the treasury portfolio and investments. The Council will seek to use data and analysis to determine the type and materiality of relevant issues for counterparties, and their alignment with the Council's core principles.

94. It is important to note that the Council shall invest on the collective basis of its investment priorities – security, liquidity, yield and ESG impact – having considered all factors contributing to the risk of its counterparties and investments, including ESG factors to the extent these indirectly or directly impact on financial risk and return as well as the Council's broader policy objectives.

<u>Scheme of Delegation</u>

95. (i) Full Council
- Approval of annual strategy
- Other matters where full Council approval is required under guidance or statutory requirement

(ii) Cabinet
- Approval of updates or revisions to strategy during the year
- Approval of Annual Treasury Outturn report

(iii) Corporate Governance Committee
- Mid-year treasury management updates (usually quarterly)
- Review of treasury management policy and procedures, including making recommendations to responsible body
- Scrutiny of Treasury Management Strategy/Annual Investment Strategy and Annual Treasury Outturn report.

(iv) Director of Corporate Resources
- Day-to-day management of treasury management, within agreed policy
- Appointment of external advisers, within existing Council procurement procedures

Role of Section 151 Officer

96. The Section 151 Officer is the Director of Corporate Resources, who has responsibility for the day-to-day running of the treasury management function.

Pension Fund Cash

97. The Council will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which were implemented on 1st January 2010, and will not pool pension fund cash with its own cash balances for investment purposes. Any investments made by the pension fund directly with the County Council after 1st April 2010 will comply with the requirements of SI 2009 No 3093. From time to time the Council will manage short term cash flow requirements for either the County Council or the Pension Fund on a non-beneficial basis (i.e., at no beneficial cost – no charge will be incurred above and beyond costs incurred) .

Eastern Shires Purchasing Organisation (ESPO)

98. As part of the service level agreement with ESPO, the council provides a treasury management service on behalf of ESPO for investment of surplus balances, and borrowing. This service is carried out with due regard to this policy and responsibility for day-to-day management lies with the Director of Corporate Resources. Surplus balances are invested in their own right and not pooled with the County Council.

ANNEX 1

ANNUAL STATEMENT FOR THE DETERMINATION OF THE ANNUAL MINIMUM REVENUE PROVISION (MRP)

Statutory regulations introduced in 2008 require local authorities to make prudent provision for the repayment of debt raised to finance capital expenditure. In addition, a statement of the level of MRP has to be submitted to the County Council for approval before the start of the next financial year.

Prudent Provision.

The definition of what is prudent provision is determined by each local Council based on guidance rather than statutory regulation

It is proposed that provision is made on the following basis:

Government supported borrowing:

Provision to be based on the estimated life of the asset to be financed from government borrowing with repayments by equal annual instalments.

The extent of borrowing required to finance the capital programme is not directly linked to any specific projects thus in determining the average life of assets an average of 40 years has been taken as a proxy for the average life of assets.

Prudential (unsupported) borrowing and expenditure capitalised by direction of the Secretary of State and certain other expenditure classified as capital incurred after 1st April 2008:

Provision to be based on the estimated life of the asset to be financed by that borrowing, with repayment by equal annual instalments.

The extent of borrowing required to finance the capital programme is not directly linked to any specific projects thus in determining the average life of assets an average of 40 years has been taken as a proxy for the average life of assets.

The County Council will also look to take opportunities to use general underspends and one-off balances to make additional (voluntary) revenue provision where possible to reduce ongoing capital financing costs. As at 31 December 2023, the cumulative amount of voluntary MRP paid in advance was £12.0m.

Financial Implications

MRP is a constituent of the Financing of Capital budget shown within Central Items component of the revenue budget and for 2023/24 totals £6.2m. This comprises £5.8m in respect of supported borrowing and £0.4m in respect of unsupported borrowing incurred since 2008/09.

ANNEX 2

PRUDENTIAL AND TREASURY INDICATORS

In line with the requirements of the CIPFA Prudential Code for Capital Finance in local authorities, the various indicators that inform authorities whether their capital investment plans are affordable, prudent and sustainable, are set out below.

A further key objective of the Code is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. The indicators for Treasury management are set out in this paper.

Compliance with the Code is required under Part I of the Local Government Act 2003.

	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital Expenditure	£138m	£157m	£148m	£87m	£95m
Capital financing requirement	£202m	£195m	£214m	£238m	£268m
Ratio of total financing costs to net revenue stream	3.4%	3.1%	2.9%	3.0%	3.0%
Ratio of net income from commercial activities to net revenue stream	1.2%	1.0%	1.0%	1.1%	1.2%

The projected level of capital expenditure shown above differs from the total of the detailed four year programme presented in the MTFS as an allowance has been provided to cover estimated additional expenditure that may occur during the course of a year, for instance projects funded by government grants, section 106 contributions and projects funded from the future developments programme.

The capital financing requirement (CFR) measures the Council's need to borrow for capital purposes and as such is influenced by the availability of capital receipts and income from third parties, e.g. grants and developer contributions. The CFR is increasing during the MTFS period for essential investment in services, investment for growth and invest to save projects. The prudential code includes the following as a key indicator of prudence:

'In order to ensure that over the medium term gross debt will only be for a capital purpose, the local Council should ensure that gross debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years'. In the short term this indicator will not be met due to the reduction in the capital financing requirement in recent years and the currently prohibitively expensive premiums to repay existing debt. The Council will consider options to reduce this position where they are in the long term financial interests of the Council. Further details are included in the main Treasury Management Strategy Statement and Annual Investment Strategy 2024-25.

In respect of external debt, it is recommended that the Council approves the limits detailed in the tables below for its total external debt for the next four financial years. These limits separately identify borrowing from other long term liabilities such as finance leases. The Council is asked to approve these limits and to delegate authority to the Director of Corporate

Resources, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities. Any such changes made will be reported to the Cabinet at its next meeting following the change.

There are two limits on external debt: the ‘Operational Boundary’ and the ‘Authorised Limit’. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. They are both based on estimates of most likely, but not worst case, scenario. The key difference is that the Authorised Limit cannot be breached without prior approval of the County Council. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, “invest to save” projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls as well as an assessment of risks involved in managing cash flows. The Operational Boundary is a more realistic indicator of the likely position.

Operational boundary for external debt

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Borrowing	220	219	243	273
Other long term liabilities	1	1	1	1
Total	**221**	**220**	**244**	**274**

Authorised limit for external debt

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Borrowing	230	229	253	283
Other long term liabilities	1	1	1	1
Total	**231**	**230**	**254**	**284**

In agreeing these limits, the Council is asked to note that the authorised limit determined for 2024/25 will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.

Comparison of original 2023/24 indicators with the latest forecast
In February 2023 the County Council approved certain prudential limits and indicators, the latest projections of which are shown below:

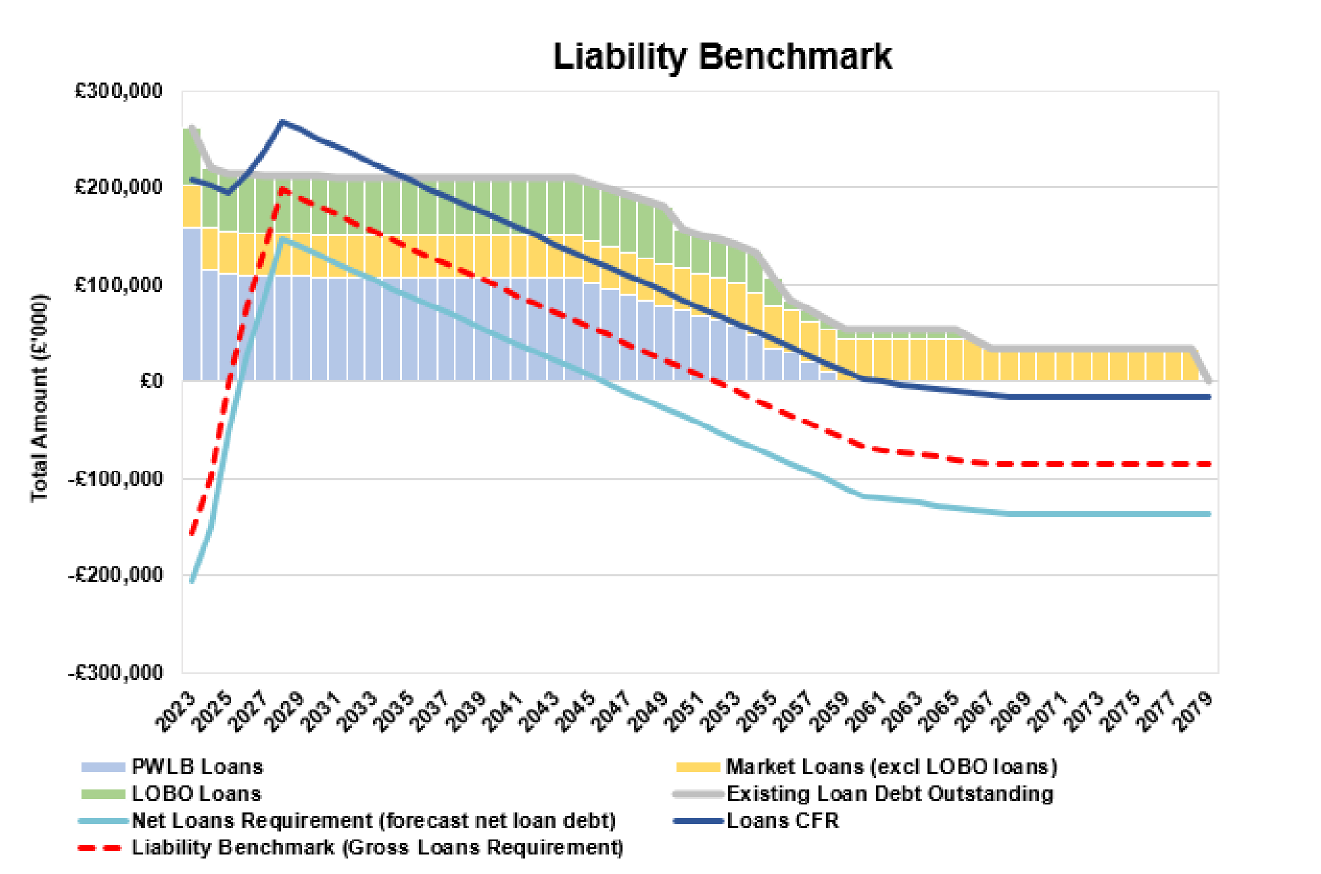
	Prudential Indicator 2023/24	Latest Projection 23/01/24
Actual Capital Financing Costs as a % of Net Revenue Stream	4.0%	3.4%
Capital Expenditure	£171m	£138m
Operational Boundary for External Debt	£263m	£263m
Authorised Limit for External Debt	£273m	£273m
Interest Rate Exposure – Fixed	50-100%	50-100%
Interest Rate Exposure – Variable	0-50%	0-50%
Capital Financing Requirement	£202m	£202m

All of the indicators are within the targets set. The latest forecast of external debt at 31 March 2024 is £219.5m and is within both the authorised borrowing limit and the operational boundary set for 2023/24. The maturity structure of debt is within the indicators set. The latest projection for capital expenditure is below the indicator set, due to the refresh of the capital programme in September 2023 and slippage in forecast spend within the capital programme.

<u>Treasury Management Indicators</u>
The Local Government Act 2003 requires the County Council to ensure that treasury management is carried out with good professional practice. The Treasury Management and Prudential Codes includes the following as the required indicators in respect of treasury management:

a) Liability benchmark - is a projection of the amount of loan debt outstanding that the Council needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. This is shown by the gap between the Council's existing loans that are still outstanding at a given future date and the Council's future need for borrowing (as shown by the liability benchmark). It is presented as a chart, covering four sections:

- Existing loan debt outstanding – shown by the type of debt, to show interest risk
- Loans capital financing requirement – same as the CFR
- Net loans requirement (NLR) – gross debt less treasury management investments, proposed prudential borrowing, MRP and any other major cash flows forecast
- Liability benchmark (or gross loans required) equals the net loans requirement plus short-term liquidity allowance.



The opening position is as at April 2023. At this point the net loans requirement (NLR) is calculated as outstanding debt of £262m less treasury management investments of £468m. For the Council this is a negative figure of £-206m. The liability benchmark, or gross loans requirement, is this figure plus the short-term liquidity requirements of the Council, which provides a negative figure of £-156m. This position is primarily due to funding set aside to fund the capital programme, no new prudential borrowing for over a decade and limited opportunities to repay debt early.

As the chart moves through the MTFS period 2024-28 the liability benchmark (gross loans requirement) increases as the capital strategy is actioned through prudential borrowing and earmarked reserves being used. After this date the benchmark then reduces as MRP reduces the CFR. Despite this the gross loans requirements is always below the level of existing debt outstanding which indicates that no external borrowing is likely to be required.

It also indicates that there is likely to be surplus cash in excess of liquidity requirements which means from a liquidity perspective the Council may be able to invest monies for a longer period. This could change if there were opportunities to repay debt early as described in the main sections of the treasury management strategy.

There are limitations with the chart in that it is focused on current commitments and makes no assumption of any future possible prudential borrowing needs. However, it is a useful tool to review the net management of the treasury position with the aim to minimise and reduce refinancing, interest and credit risk by profiling borrowing portfolio to benchmark borrowing requirements.

b) Upper and lower limits for the maturity structure of its borrowings as follows:
Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate:

	Upper Limit %	Lower Limit%
under 12 months	30	0
12 months and within 24 months	30	0
24 months and within 5 years	50	0
5 years and within 10 years	70	0
10 years and above	100	25

c) An upper limit for treasury management investments longer than 1 year is 20% of the portfolio.

The County Council has adopted the CIPFA code of Practice for Treasury Management in the Public Services.

ANNEX 3

POLICY ON APPROVED ORGANISATIONS FOR LENDING

APPROVED ORGANISATIONS/ LIMITS FOR LENDING

Institution*	Maximum Sum Outstanding/Period of Loan
UK Clearing Banks and UK Building Societies**	£35m/6 months up to £55m/12months (Not special Institutions) £75m/12months (special Institutions) 'Special' = significant element of UK government ownership.
UK Debt Management Office	No maximum sum outstanding/12 months
UK Government Treasury Bills	No maximum sum outstanding/12 months
Overseas Banks	£10m/6 months £20m/12 months
Money Market Funds	£40m limit within any AAA-rated fund. £160m maximum exposure to all Money Market Funds
UK Local Authorities	£10m/12 months
Pooled Private Debt Funds	£50m/variable 3-6 years
Pooled Bank Capital Release Funds	£20m/variable 3-6 years

* includes ring fenced and non-ring fenced banks.
**In the event that an investment is entered into which is legally offset against borrowing in the form of a LOBO (Lender's Option, Borrower's Option) from the same counterparty, the maximum period will be 20 years and the maximum sum will be the amount of the LOBO deal against which the legal offset exists.

The list of acceptable institutions will mirror the list of suggested counterparties maintained by Link Group, except the maximum maturity period will be restricted to 1 year and any institution with a suggested maturity period of 100 days or less will be excluded.

Some financial institutions have both a parent company and a subsidiary that are licensed deposit takers in the UK. Where this is the case a 'group limit' will apply, and this will be the limit that is given to the parent company.

In some cases the parent company will be an overseas institution and they will have UK-registered subsidiaries. Where this is the case the parent company limit will apply at a total group level, even if this limit is less than would be given to the UK subsidiary on a stand-alone basis. Any money invested with a UK subsidiary of an overseas institution will be classed as being invested in the country of domicile of the parent if the parent is an overseas institution for country-maximum purposes.

If the credit rating of an individual financial institution decreases to a level which no longer makes them an acceptable counterparty the Director of Corporate Resources will take action to bring this back into line at the earliest opportunity. It should be noted that there will be no legal right to cancel a loan early, and any premature repayment can only be made with the approval of the counterparty and may include financial penalties. Similar actions will be taken if a counterparty is downgraded to a level which allows them to remain on the list of acceptable counterparties, but where the unexpired term of any loan is longer than the maximum period for which a new loan could be placed with them.

In the event that the circumstances highlighted above occur, the Director of Corporate Resources will report to the Corporate Governance Committee.

ANNEX 4

TREASURY MANAGEMENT POLICY STATEMENT (TMPS)

1. This organisation defines its treasury management activities as:

   "The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

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Leicestershire County Council

Provisional Medium Term Financial Strategy

2024-2028

Public consultation results

January 2024

Business Intelligence Service
Leicestershire County Council

Jo Miller
Head of Business Intelligence Service

Nicole Brown
Research and Insight Manager

Business Intelligence Service
Leicestershire County Council
County Hall, Glenfield
Leicester LE3 8RA

Tel 0116 305 7341
Email jo.miller@leics.gov.uk

Produced by the Business Intelligence Service at Leicestershire County Council.

With support from:

- Communications Team, Leicestershire County Council
- Policy Team, Leicestershire County Council
- Strategic Finance, Leicestershire County Council

CONTENTS

Key findings

In total, 447 responses were received to the consultation survey, of which 61% were residents of Leicestershire and 59% were employees of Leicestershire County Council (LCC) (multiple-choice question).

Council Tax

Excluding any adult social care precept, over a fifth respondents (22%) said they would be prepared to pay a core Council Tax increase of above 3% to fund County Council services and almost a third (30%) said they would be prepare to pay an increase of 3%. Around a sixth said they would be prepared to pay an increase of 2% or 1% (17% and 15%, respectively). Roughly an eighth (12%) did not want to pay any increase in core Council Tax, whilst a small proportion (5%) said they thought core Council Tax should be reduced.

Over a sixth of respondents (17%) said they would be prepared to pay an increase of above 2% in Council Tax to specifically fund adult social care in Leicestershire (the adult social care precept). A similar proportion said they would be prepared to pay an increase of 2% or 1% (29% and 28%, respectively). Just over a quarter (26%) were opposed to paying any adult social care precept.

By combining the responses to the questions about core Council Tax and the adult social care precept, over a third (35%) said they would be prepared to pay a 5% increase or above in overall Council Tax (including the adult social care precept). A tenth of respondents (10%) said they would not be prepared to pay any increase in any Council Tax and 4% said they thought all Council Tax should be reduced.

Respondents were asked what impact an overall 5% increase in Council Tax (the proposed total of core Council Tax and adult social care precept) would have on their household finances. The same proportion of respondents said this would have a significant impact (28%) or a moderate impact (28%). A third (33%) said this would have a slight impact. Just over a tenth (11%) said this would have no impact on their household.

When asked why an overall 5% increase in Council Tax would have an impact on their household finances, most respondents expressed concerns about further increases in Council Tax during the current cost of living crisis. Respondents were particularly worried about how this increase, combined with other increases in bills, would affect their household. Several respondents said this increase would impact their essential household costs, whilst some were concerned about struggling to afford this as a single or fixed-income household. Although most comments raised concerns or highlighted issues, many respondents said they understood the need for this increase to protect essential council services and said that they could afford the 5% with little or no impact to their household finances.

Growth and Savings

When respondents were asked whether they agreed or disagreed with how the growth and savings had been allocated across services, 39% agreed and 24% disagreed (36% neither agreed nor disagreed).

Open Comments

Open comments regarding service reductions highlighted some key areas of concern, particularly service cuts to social care. Some respondents disagreed with savings to Environment and Transport services, specifically mentioning Recycling and Household Waste Sites (RHWS). Others disagreed with savings that would impact on services that support residents with Special Educational Needs and Disabilities (SEND). Several respondents made suggestions that efficiencies and savings could be made in certain areas, including staffing and management. Despite a clear opposition to savings generally, many supported the savings outlined in the strategy or said that they seemed sensible.

Respondents were asked whether there were any other areas where the council could make further savings. Suggestions for making efficiencies in staffing was the most common theme. There were many references to reducing the number of staff and management levels within departments, and reducing the number of councillors, agency staff and external consultants. Other respondents highlighted savings that could be made in Environment and Transport services, including street lighting and recycling and household waste. A notable proportion also mentioned efficiencies that could be made in office space, suggesting the closure of council buildings and making energy savings.

When asked about the areas identified for growth or capital investment, many suggested that the council should invest more in services such as libraries and mental health support. Others suggested ways for the council to increase income, including more investment in public transport and ensuring Council Tax is collected from all residents. Several expressed concerns regarding the areas identified for growth, with some raising issues with the cost of building new roads and houses. A number of respondents were positive about the proposals and agreed with the council's plans to invest in specific areas.

When asked to provide any further comments or suggestions about the council's budget proposals, most respondents provided suggestions regarding the proposals or ways for the council to generate additional income. Others made suggestions in relation to staffing, management or departmental re-organisation. A notable proportion of respondents criticised or had concerns regarding the council's proposals to make further cuts to services. Council Tax increases was another reoccurring criticism, with several respondents raising concerns about paying additional increases during a cost of living crisis. There were many mentions of Leicestershire being unfairly underfunded. Some of these respondents recognised the difficulty the council faces, whilst others criticised the council's efforts to lobby central Government for fairer funding. Some respondents felt they needed further information to provide a meaningful response or asked specific questions around the council's budget plans. Positive responses reflected general support for the council's proposals and the identified areas for growth.

Funding Reform

With regards to fairer funding, the majority of respondents (93%) agreed that the council should continue lobbying Government to review the way funding is distributed between councils.

Background

Leicestershire County Council, alongside councils across the country, is facing its toughest ever budget challenge.

Spiralling social care prices, growing service demand and inflation are driving up costs for councils across the country. This means that for the first time, it has planned to use up to £12m of reserves to help balance the books next year. This gap is set to rise to £85m by 2028.

The council's proposals include £127m more to support vulnerable people. This is to cover increased demand and complexity of need across adults and children's social care, paying for more placements, home and residential care, and supporting people with physical disabilities, learning disabilities and mental health needs. Also, an extra £113m is required to cover inflation and the National Living Wage increase.

The proposals also include £36m of efficiency savings, including redesigning services and reducing back-office support by maximising digital technology and smarter procurement. However, further savings will need to be identified in addition to those already planned, which means the council will need to deliver many of its services differently going forwards.

The council also has a £445m four-year capital programme for the cost of building roads, schools, and other one-off projects linked to new homes being built across Leicestershire.

The proposals outline a proposed 3% increase on core Council Tax in 2024/25, generating an additional £11m for front-line services. A further £7m would be raised from a 2% increase in the adult social care precept. These are the maximum percentage increases allowed by the Government without a local referendum. A decision on core Council Tax and the adult social care precept will be taken each year for any future increases.

The consultation exercise on the budget plan provided an opportunity for residents, staff, businesses, community groups, and other stakeholders to have their views heard and taken into account when the budget plan is considered and finalised by the County Council.

Methodology

Following the publication of the detailed budget proposals, a consultation summary and survey form were made available on the County Council's website for the duration of the consultation period of 20th December 2023 to 17th January 2024.

This provided the opportunity for residents and other stakeholders to have their say. Paper copies of the survey and copies in alternative formats (including easy read) were available on request.

Communication

A range of communications activity was used throughout the consultation period to encourage people to have their say, including: newsletters, online content, social media (X, Facebook, LinkedIn, Instagram and Next Door), intranet content, staff briefings, Yammer posts, media releases and direct emails to residents, staff, parish councils, businesses and other stakeholders. This generated engagement across social media platforms and wide-ranging press coverage in print, online and broadcast media and ultimately helped to generate 447 responses.

Questions

The survey asked respondents about Council Tax levels (including the Government's proposed adult social care precept) and the extent to which they agreed or disagreed with how the budget had been allocated across services. It also asked a number of open-ended questions about the budget and the way the council works. These are listed below:

- What impact, if any, would an overall 5% increase in Council Tax have on your household finances? Why do you say this?
- Are there any savings you disagree with?
- Are there any areas where you think we could make further savings?
- Do you have any comments about the areas identified for growth or capital investment?
- Do you have any other comments about our draft budget proposals?

For each question, all comments were read by analysts, and a coding frame was devised. The comments were then re-read and thematically coded using the coding frame. All comments have been passed on to the council's Finance Department, in full, for further consideration. See Appendix 3 for a full list of codes for each open-ended question.

A range of demographic questions were also asked, namely: gender, gender the same as sex registered at birth, age, disability, ethnicity, religion, sexual orientation, postcode, whether the respondents are parents or carers of a young person aged 17 or under, or a carer of a person aged 18 or over. See Appendix 1 for the full questionnaire.

Analysis

Graphs and tables have been used to assist explanation and analysis. Question results have been reported based on those who provided a valid response, i.e. taking out the "don't know" responses and no replies where relevant.

The responses of different demographic groups were analysed and statistically significant differences are highlighted within the relevant sections of this report. See Appendix 4 for the full statistical analysis.

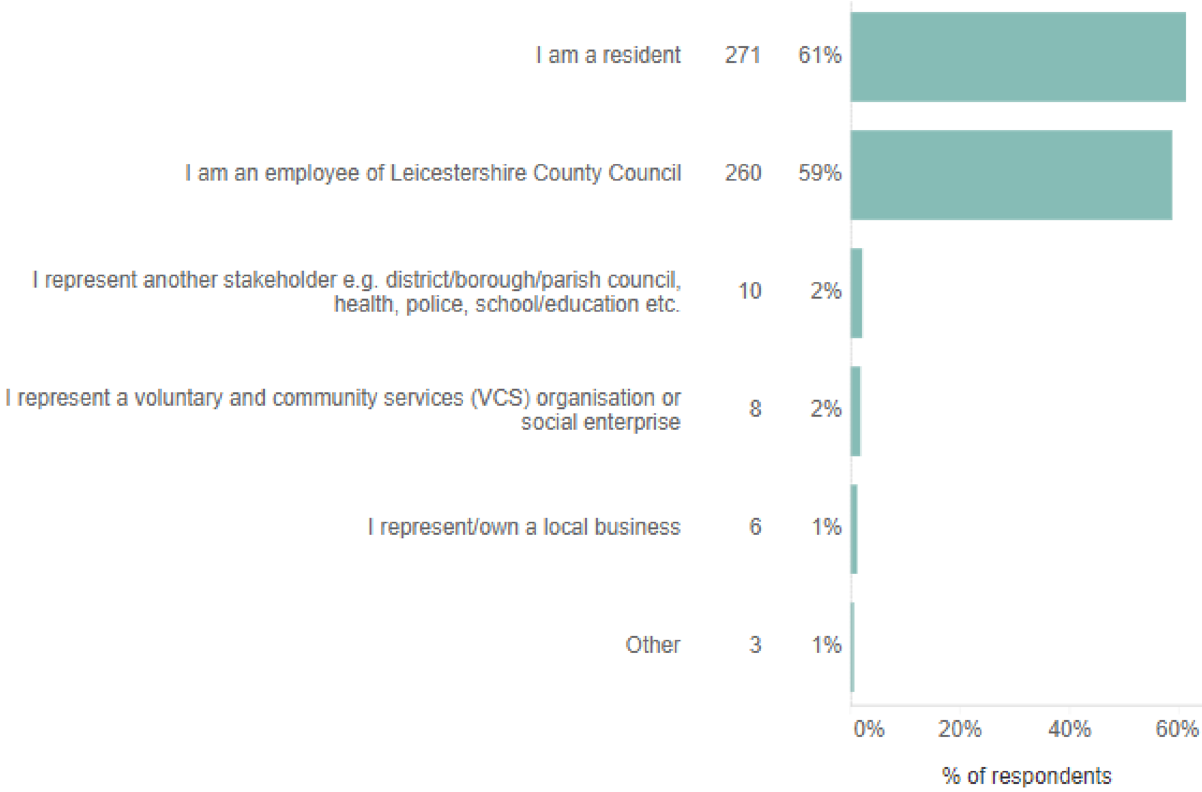
Results

In total, 447 responses to the survey were received. A full respondent profile can be found in Appendix 2.

Question 1 - Role of Respondent

Respondents were asked in what capacity they were responding to the survey. Chart 1 shows that 61% of people who completed the survey were responding as residents and 59% were employees of Leicestershire County Council (LCC). This question was multiple choice.

Chart 1 - Role of Respondent (multiple response)

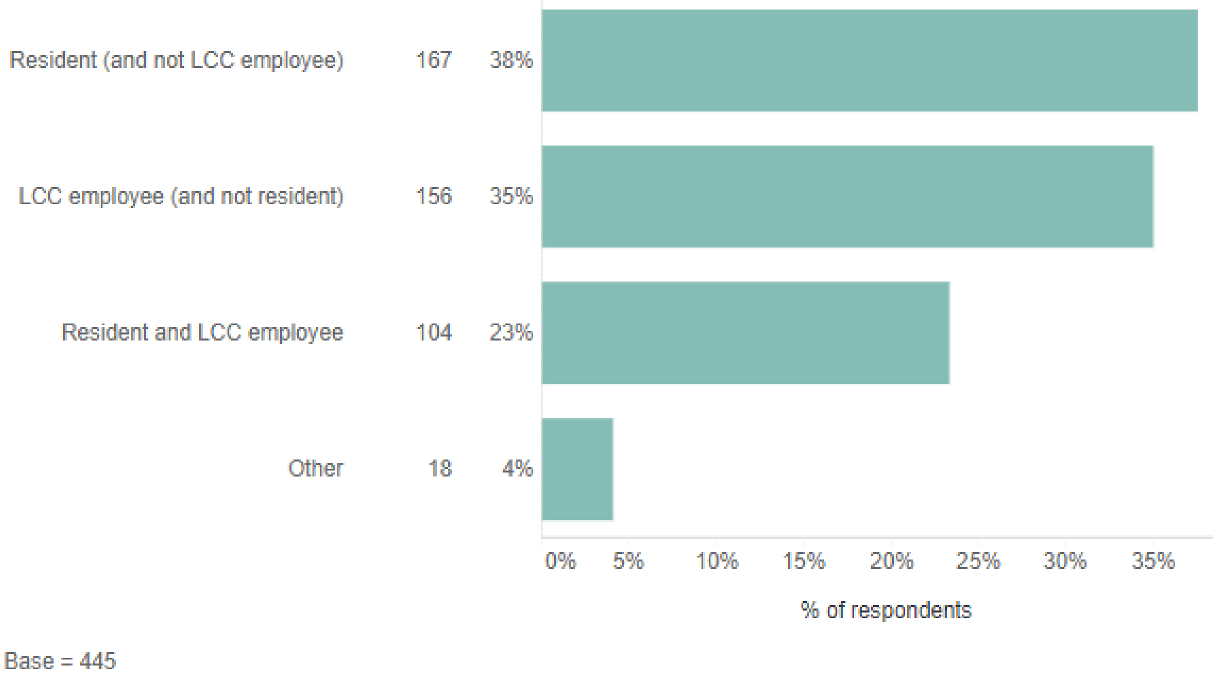


Base = 443

Chart 2 shows 38% were residents and not employees of LCC, 35% were LCC employees and not residents, and 23% were both.

Throughout the analysis that follows, a comparison has been made between the views of residents who are not LCC employees (167 respondents) and the views from LCC employees (260 respondents).

Chart 2 - Role of Respondent (single response)

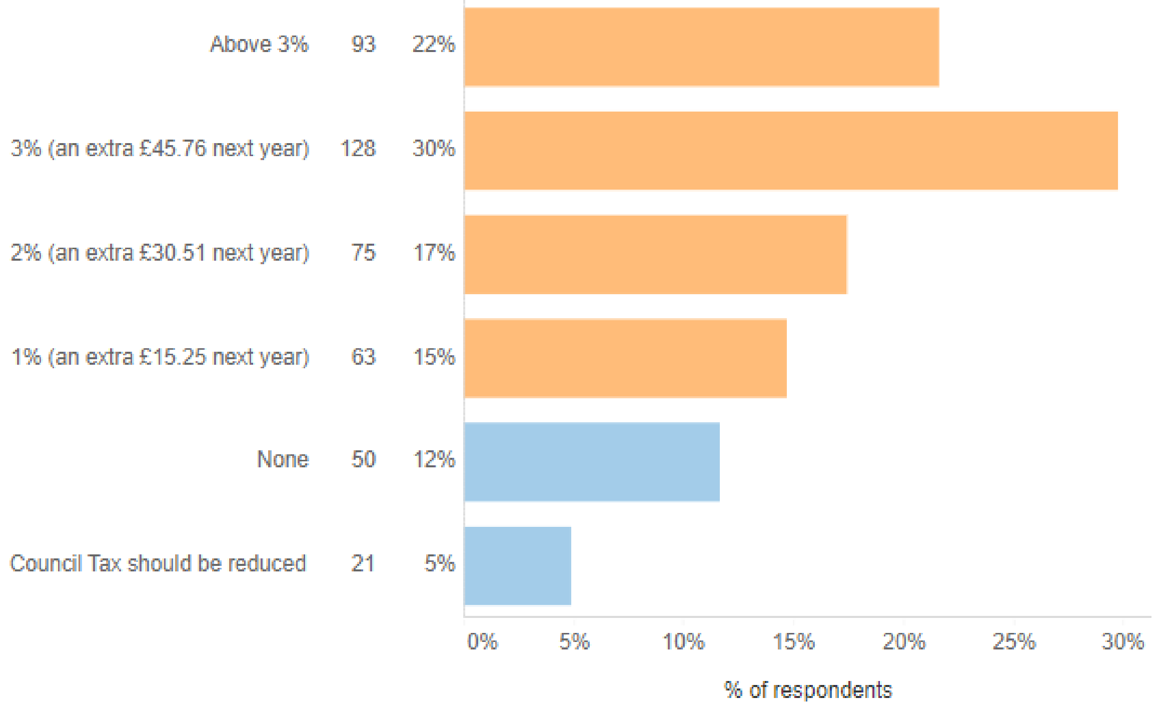


Question 4 - Core Council Tax increase (excluding any adult social care precept)

Respondents were asked what core Council Tax increase they would be prepared to pay to fund County Council services, excluding any adult social care precept.

Chart 3 shows just over a fifth of respondents (22%) were prepared to pay an increase of above 3% and almost a third (30%) were prepared to pay an increase of 3% (the current proposal). Around a sixth were prepared to pay an increase of 2% or 1% (17% and 15%, respectively). Roughly an eighth (12%) thought Council Tax should not be increased and a small proportion (5%) thought it should be reduced .

Chart 3 - Core Council Tax increase (excluding any adult social care precept)



Base = 430

Statistical analysis showed that male respondents (34%) were significantly more likely and female respondents (15%) were significantly less likely to be prepared to pay a core Council Tax increase of above 3% when compared to the average (22%). Respondents who said they lived in Blaby (33%) were also significantly more likely to be prepared to pay this amount, when compared to the average (22%).

Respondents who identified with a White ethnic group (32%) or those who said they lived in North West Leicestershire (47%) were significantly more likely to be in favour of a core Council Tax increase of 3% when compared to the average (30%).

When compared to the average (17%), female respondents (21%) were significantly more likely to be prepared to pay an increase of 2%.

Female respondents (20%) or respondents that said they lived in Melton (27%) were significantly more likely to be prepared to pay an increase of 1%, compared to the average (15%).

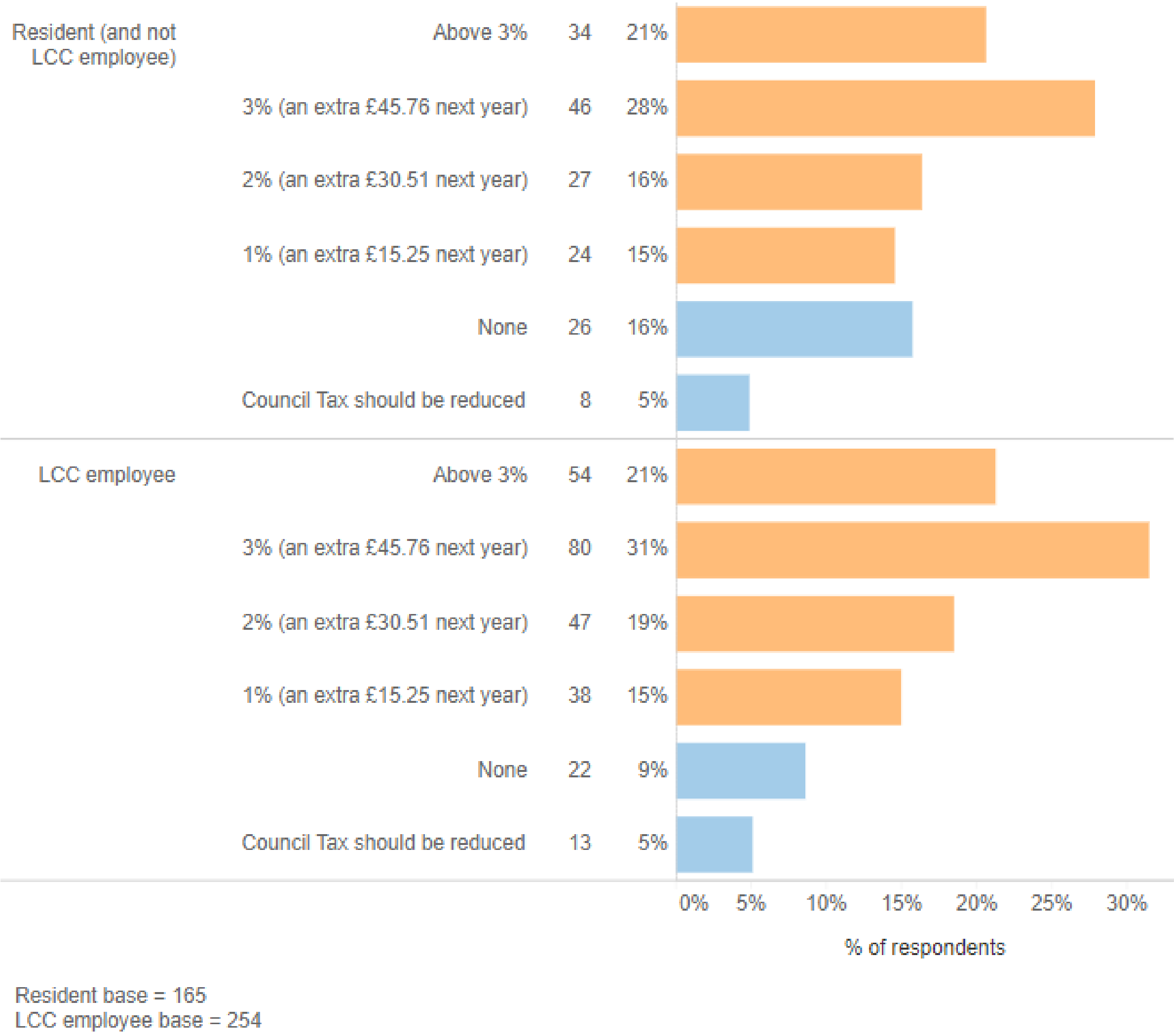
Those who were residents (16%) were significantly more likely to say they did not want an increase in core Council Tax compared to the average (12%). Respondents that identified with a Black and Minority Ethnic (BME) group (20%) or those that lived in urban areas (7%) were significantly more likely to say they wanted Council Tax to be reduced, when compared to the average (5%).

Chart 4 shows a comparison between residents and LCC employees. The same proportion of LCC employees and residents said they were prepared to pay an increase of above 3% in core Council Tax (21%).

Slightly more LCC employees said they would be prepared to pay a 3% increase (31%) or 2% increase (19%) in core Council Tax than residents (28% and 16%, respectively).

A larger percentage of residents said they thought core Council Tax should not be increased (16%) compared to LCC employees (9%). The same proportion of LCC employees (5%) and residents (5%) said they thought corer Council Tax should be reduced.

Chart 4 - Core Council Tax increase (excluding any adult social care precept) - by role



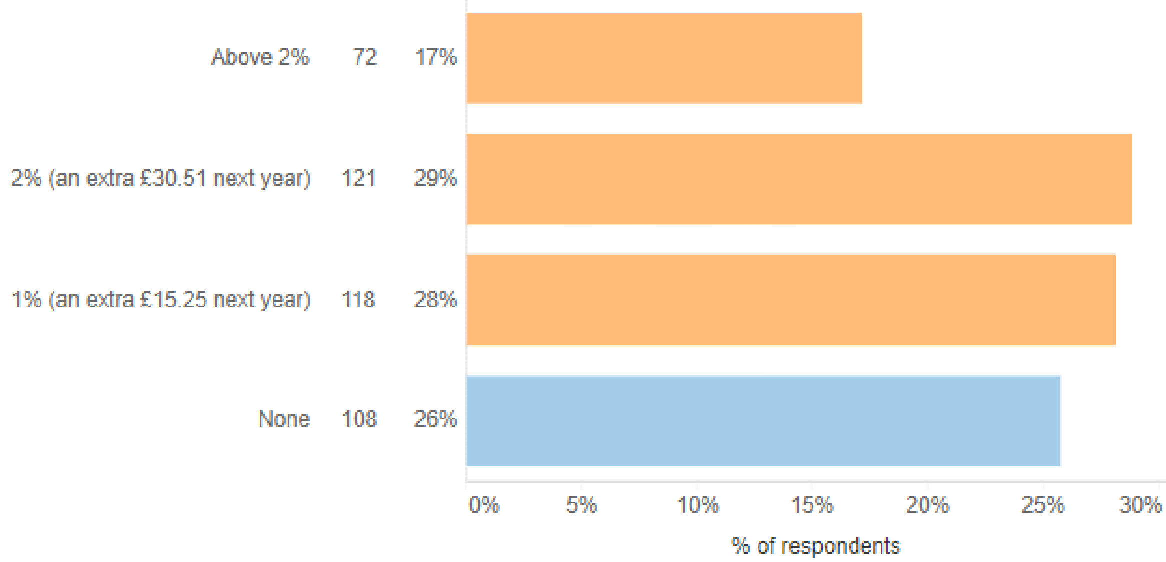
Question 5 - Additional adult social care precept

Respondents were asked whether they would be prepared to pay an additional increase in Council Tax as a separate social care precept to be used exclusively for the funding of adult social care in Leicestershire.

Chart 5 shows that the majority (74%) would be prepared to pay an additional increase, but just over a quarter of respondents (26%) did not want any additional increase in Council Tax for this purpose.

Overall, 17% said they would be prepared to pay above 2%, 29% said they would be prepared to pay 2% (the current proposal) and 28% said they would be prepared to pay 1%.

Chart 5 - Council Tax increase for the adult social care precept



Base = 419

Statistical analysis showed that male respondents (26%) were significantly more likely and female respondents (11%) were significantly less likely to be prepared to pay an adult social care precept increase of above 2%, when compared to the average (17%). Respondents who lived in an urban area (13%) were also significantly less likely to be prepared to pay this increase, when compared to the average (17%).

Respondents that identified with a White ethnic group (33%) or said they were over 55 years old (38%) were significantly more likely to be prepared to pay an increase of 2%, than the average (29%).

When compared to the average (28%), female respondents (37%) or those who said they lived in Charnwood (42%) were significantly more likely to be prepared to pay an adult social care precept increase of 1%.

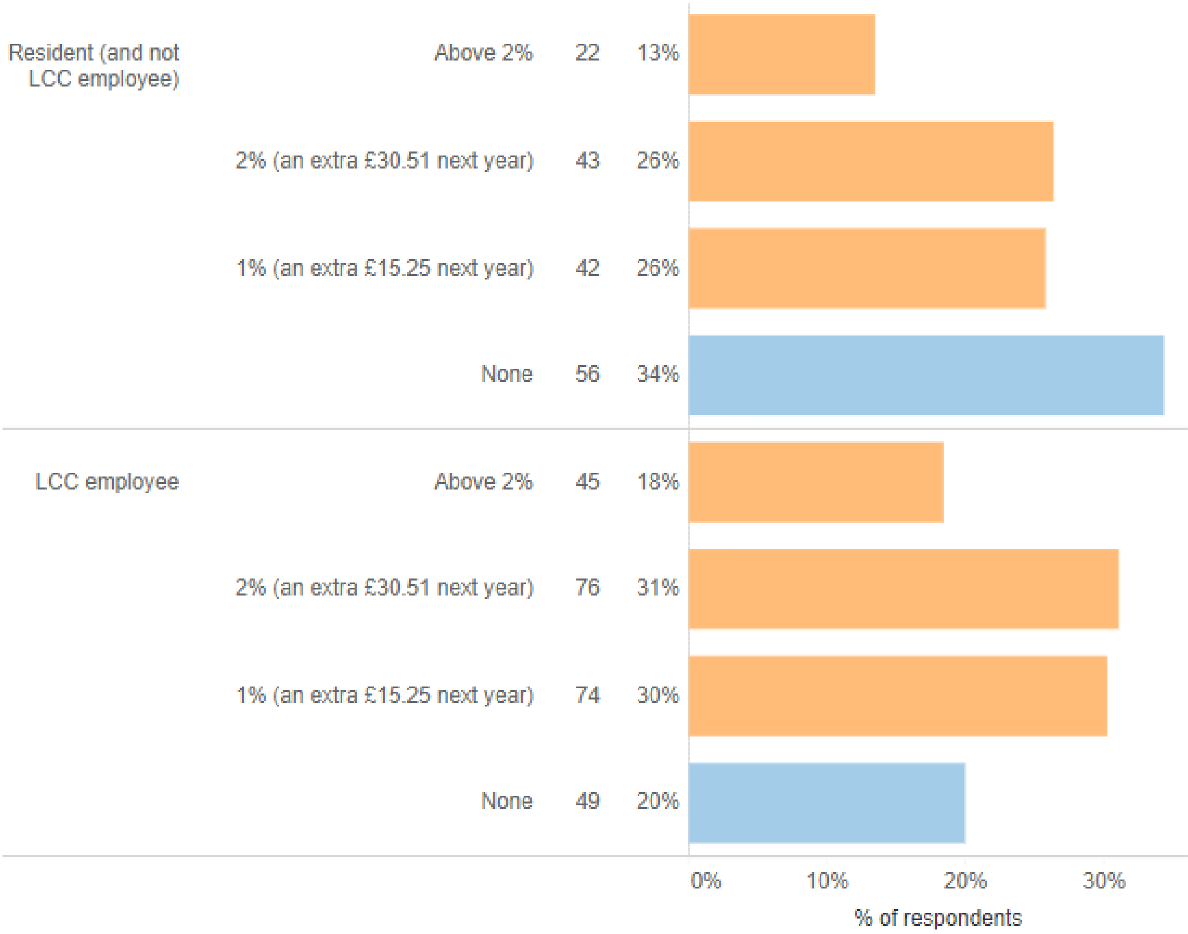
Residents (34%) were significantly more likely and LCC employees (20%) were less likely to say they did not want an increase in Council Tax for the adult social care precept when compared to the average (26%). Male respondents (32%) or respondents aged under 35 (40%) were also significantly more likely than the average (26%) to say they did not want this increase.

Chart 6 shows a comparison between residents and LCC employees. A higher proportion of LCC employees (18%) said they would be prepared to pay an increase of above 2% in Council Tax for the adult social care precept, compared to residents (13%).

Under a third of LCC employees said they would be prepared to pay a 2% increase (31%) or a 1% increase (30%) compared to residents (26% and 26%, respectively).

A notably larger proportion of residents said they would not be prepared to pay any increase in Council Tax for the adult social care precept (34%) compared to LCC employees (20%).

Chart 6 - Council Tax increase for the adult social care precept - by role



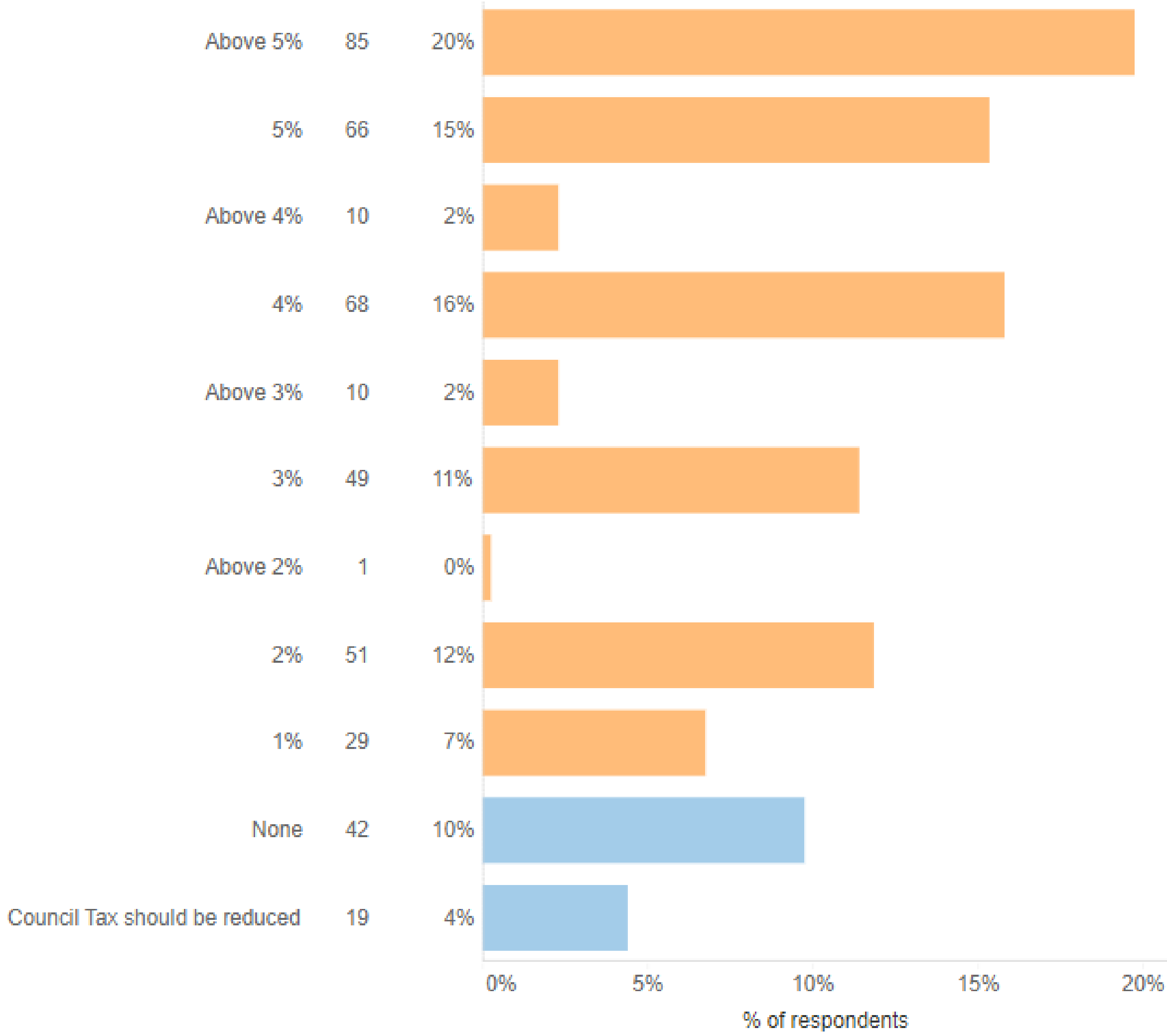
Resident base = 163
LCC employee base = 244

Total Council Tax increase

By combining the responses to the questions about core Council Tax and the adult social care precept, Chart 7 (which is a summary of Table 1 on page 15) shows that 83% were prepared to pay an increase in Council Tax (including any adult social care precept). Over a third of respondents (35%) were prepared to pay an overall increase of 5% or above.

A tenth of respondents (10%) said they did not want any increase in Council Tax and a smaller proportion (4%) said they thought Council Tax should be reduced.

Chart 7 - Total Council Tax increase (including any adult social care precept)



Base = 430

Note this chart excludes 2 cases where people indicated they wanted core Council Tax to reduce but an increase in social care precept.

Table 1 - Question 2 by Question 3 - Total Council Tax increase (including any adult social care precept)

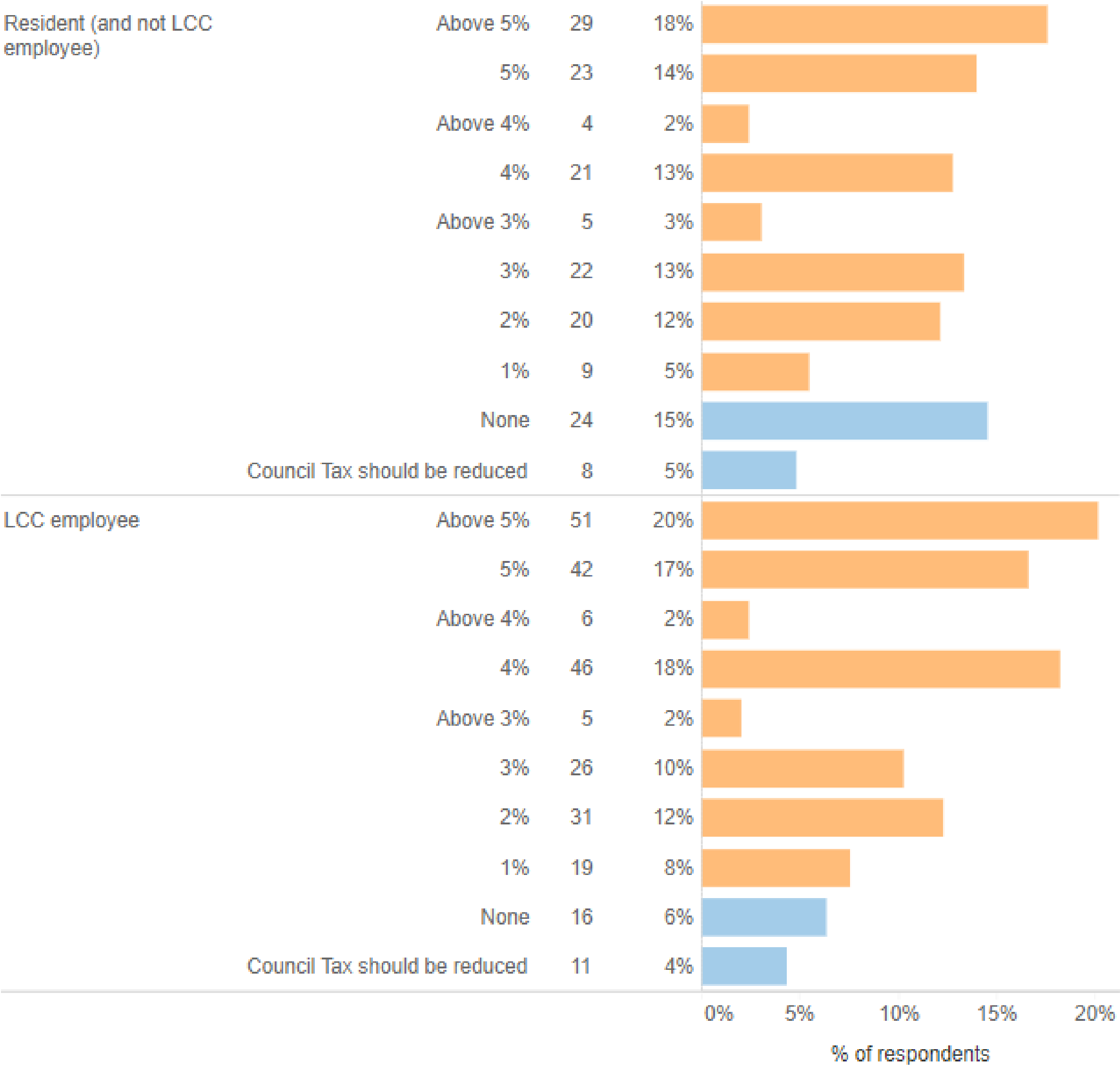
Core Council Tax increase (excluding any adult social care precept)	Adult social care precept increase: Above 2%	2% (an extra £30.51 next year)	1% (an extra £15.25 next year)	None	Don't know
Above 3%	58 13%	21 5%	6 1%	7 2%	1 0%
3% (an extra £45.76 next year)	6 1%	66 15%	39 9%	14 3%	3 1%
2% (an extra £30.51 next year)	4 1%	29 7%	29 7%	10 2%	2 0%
1% (an extra £15.25 next year)	2 0%	3 1%	36 8%	19 4%	3 1%
None		2 0%	6 1%	42 10%	
Council Tax should be reduced	1 0%		1 0%	16 4%	3 1%
Don't know	1 0%		1 0%		11 2%

Base = 442

Chart 8 shows the comparison of responses between residents and LCC employees for a total increase in Council Tax (including any adult social care precept). A higher proportion of LCC employees were prepared to pay a total Council Tax increase of 5% or above (37%) compared to residents (32%).

A larger proportion of residents were not prepared to pay any increase in Council Tax (15%) or thought Council Tax should be reduced (5%) compared to LCC employees (6% and 4%, respectively).

Chart 8 - Total Council Tax increase (including any adult social care precept) - by role



Resident base = 165
LCC employee base = 253

Note this chart excludes 2 cases where people indicated they wanted core Council Tax to reduce but also wanted an increase in adult social care precept.

Statistical analysis showed that male respondents (28%) were significantly more likely and female respondents (15%) were significantly less likely to agree with a total Council Tax increase of above 5%, when compared to the average (20%).

Those who resided in Melton (12%) were significantly more likely to agree to a total Council Tax increase of above 3%, compared to the average (2%).

When compared to the average (12%), female respondents (17%) or respondents aged under 35 (25%) were significantly more likely to agree to a total Council Tax increase of 2%.

Those aged 45-54 (14%) were significantly more likely to agree with a total Council Tax increase of 1%, compared to the average (7%).

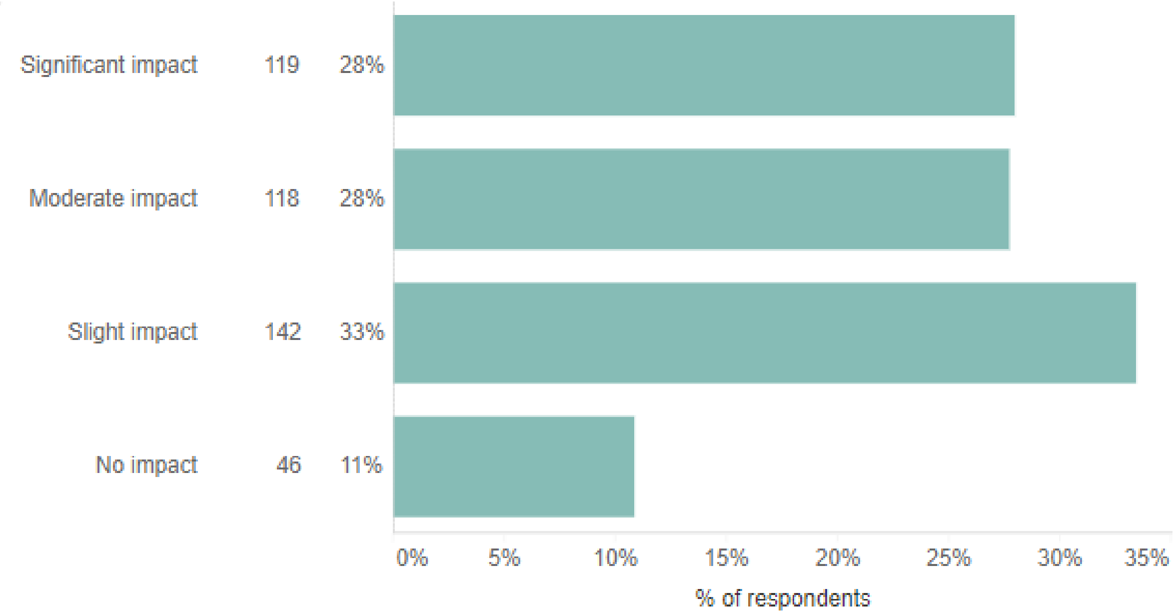
When compared to the average (10%), residents (15%) were significantly more likely to be in favour of no increase in Council Tax. Respondents that identified with a Black and Minority Ethnic (BME) group (17%) were significantly more likely to be in favour of reducing Council Tax, than the average (4%).

Question 6 - Impact of an overall 5% increase in Council Tax on household finances

Respondents were asked what impact an overall 5% increase in Council Tax (the proposed total of core Council Tax and an adult social care precept) would have on their household finances.

Chart 9 shows that the same proportion of respondents said this would have a significant impact (28%) or moderate impact (28%) on their household finances. A third (33%) said this would have a slight impact. Just over a tenth (11%) said this would have no impact.

Chart 9 - Impact of an overall 5% increase in Council Tax on household finances



Base = 425

Statistical analysis shows residents (38%) were significantly more likely and LCC employees were significantly less likely (21%) to say that an overall 5% increase in Council Tax would have a significant impact on their household finances, compared to the average (28%).

Those living within an area categorised as the least deprived IMD Quintile (20%) were significantly less likely to say that this overall increase would have a moderate impact on their household finances, compared to the average (28%).

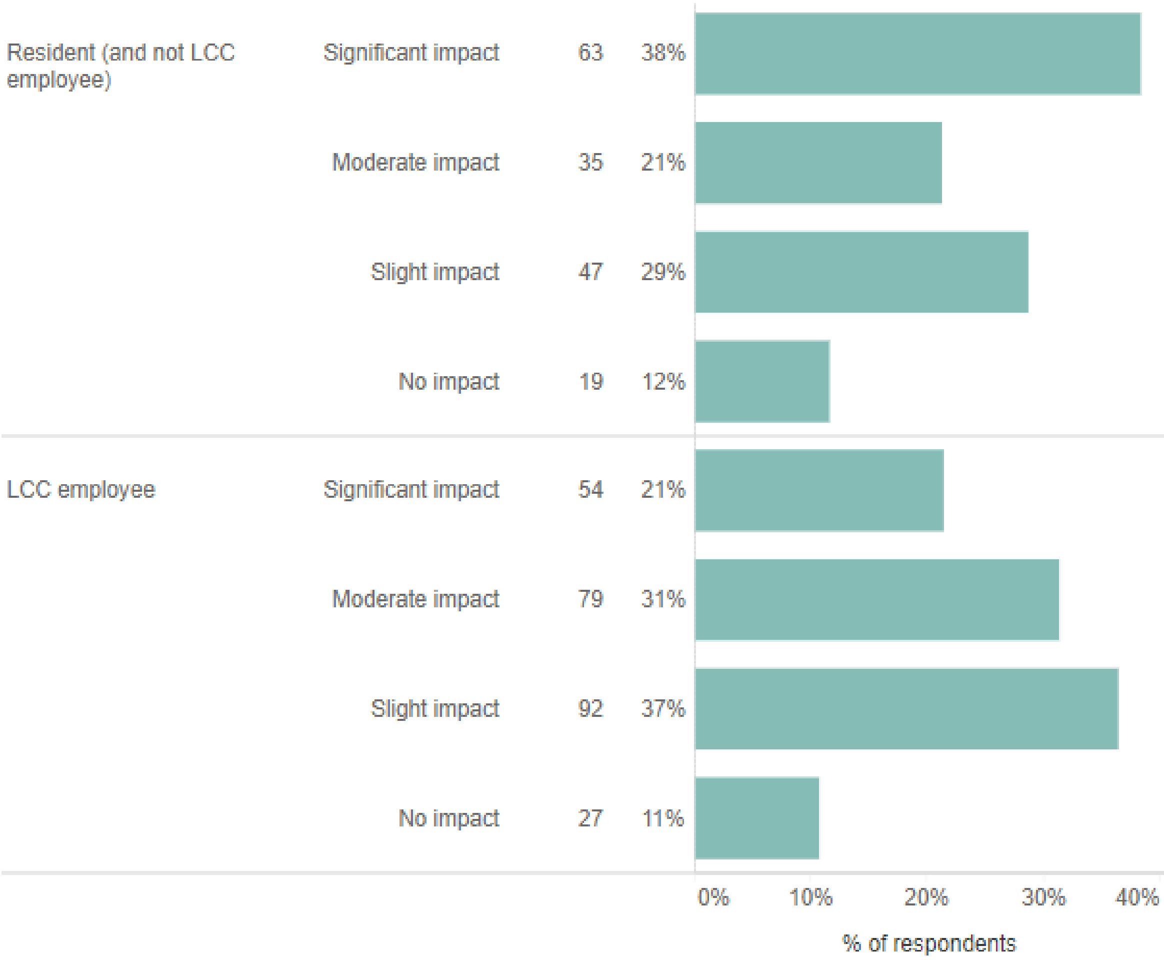
Respondents aged between 35-44 (46%) were significantly more likely to say that an overall increase of 5% would have a slight impact on their household finances, when compared to the average (33%).

Statistical analysis shows that respondents who identified with a White ethnic group (13%) or those that lived in a rural area (21%) were significantly more likely to say that this increase would have no impact on their household finances, compared to the average (11%). Those who said they had a long-standing disability, illness or infirmity (5%) were significantly less likely to say that an overall 5% increase in Council Tax would have no impact on their household, than the average (11%).

Chart 10 shows a comparison between residents and LCC employees. Nearly two-fifths (38%) of residents said an overall 5% increase in Council Tax (the proposed total of core Council Tax and adult social care precept) would have a significant impact on their household finances compared to LCC employees (21%).

A higher proportion of LCC employees said a 5% increase would have a moderate impact (31%) or slight impact (37%), compared to residents (21 and 29%, respectively).

Chart 10 - Impact of an overall 5% increase in Council Tax on household finances - by role



Resident base = 164
LCC employee base = 252

Question 6a - Why do you say this?

Respondents were then asked why an overall 5% increase in Council Tax would make this impact on their household finances. In total, 243 answered this question (54%). Chart 11 shows the top 10 codes from the qualitative analysis of this question (see Appendix 3 for a full list of codes).

Respondents highlighted many reasons why an overall 5% increase in Council Tax would negatively impact their finances. Most respondents expressed general concerns about this increase. Some acknowledged that they may not have been impacted negatively if Council Tax was the only bill that was rising. However, as all bills seem to be rising, the increase in Council Tax would financially impact them and they would need to budget by reducing expenditure elsewhere. This theme was closely linked to the current cost of living crisis, with respondents stating that they were already struggling with increased costs, including essentials such as food and fuel bills. Some respondents stated that they would have to cut back on essentials to afford the increase in Council Tax. Linked to this response, were respondents who indicated that they were already struggling to cover their current bills. Several respondents used phrases to describe their financial situation as ‘stretched’ or ‘tight’, communicating that they were barely getting by and would not be able to cover this additional increase in Council Tax.

Many respondents mentioned that they were from a single-income or low-income household and felt that this increase would be unaffordable for them. Circumstances varied, including single parent households, couples living on one pension or couples who had retired, in addition to working individuals living on their own. Some respondents suggested that they would not be able to pay the increase, whilst others felt worried about how this increase would impact their household. Others that mentioned a lower or fixed-income also said they understood why the increase was needed to fund council services. Some referenced they were aware how this increase would impact on others within low or single-income households.

A notable number of respondents mentioned that their wages had not increased in line with inflation. Some said that this was the reason they could not afford an increase of 5% in Council Tax, with others stating that their wages had not increased for a number of years and said that their income did not match the increases in the cost of living.

Many responses reflected an understanding that an increase of 5% to Council Tax was necessary for council services to be maintained. Whilst in some cases, respondents stated that they would need to budget and reduce expenditure elsewhere, others said that the increase would have no impact. In both circumstances, respondents valued the services provided by the council. Some respondents understood the reason for the proposed increase but were concerned that this should contribute to certain services for the public, such as social care, Special Educational Needs and Disabilities (SEND), libraries and community services.

Others made complaints and criticised the increase of Council Tax and also the council in general. Others commented that they thought the council wasted money and were critical that Council Tax could increase in the future.

Negative comments also centred around those who felt services were declining and not providing value for money. Some felt that they were not benefiting from the services provided by the council, whilst others said they did not benefit enough from what they pay in Council Tax, despite it increasing. A few suggested that not all of the population contributed to Council Tax whilst many paid too much.

Comments from those who were struggling and concerned contrasted with those who said that the increase would have little or no impact to their household finances. In some cases, specific circumstances were given as to why the increase in Council Tax would not impact them, examples included earning a good wage, living in a household with a dual income or having surplus money to pay for additional increases. Some respondents referenced that an increase in Council Tax was necessary to maintain council services, others answered that they could cover the cost and were willing to do so as they believed in funding public services.

> *"The additional charge would have to come from the core household budget, but it still represents value for money. It is also noted that other costs are increasing such as gas, electricity and water"*

> *"It takes money away that is allocated for food, everything is going up including rent, it is becoming tough to pay all the bills and eat a balanced diet"*

> *"Cost of living is rising and to find increase would need to cut elsewhere"*

> *"Because my salary isn't being increased to reflect the extra money to put aside for this, utility costs continue to rise, Insurances—car—home and contents continue to rise. Food isn't coming down. Other costs such as internet and mobile phones cost increase, therefore always in debt"*

> *"Although I understand why tax increases are required, so I am willing to pay to fund services, my family income is already stretched. We would have to be very careful with our expenses, hope for pay increases or look at higher paid jobs"*

> *"It's not a huge amount of money but people's/household's finances are already stretched to the limit through the cost of living crisis. Any additional pressures risk pushing more people over the brink"*

> *"We live hand to mouth as is, I work for the council and haven't had a real increase in wages for over 10 years. It's never in line with inflation and a very bear minimum. Where am I meant to find an extra 5% from?"*

> *"Already struggling with money"*

> *"I am already struggling to pay fuel and council tax bills"*

> *"We are struggling to make ends meet each month, this would mean cutting food even more and reducing the heating more in our house. No extra school clubs or trips for the children"*

> *"On a fixed income rent council tax energy rises where do you think I will get the extra?"*

> *"I am on a fixed income. I work-part time. You don't seem to care about how people will find the money to pay their council tax bills. Council Tax is a large proportion of my monthly budget. I live on my own so I have no one with whom to share my bills"*

> *"I am a pensioner with limited income, however I would be prepared to pay more council tax to help with the shortfall, especially for children with educational special needs and social care"*

> *"My wages are low, cost of living is rising, expenses are going up and my house needs lots of repairs, due to it being terrible. A rise would be an extra layer of difficulty for me"*

> *"I am a pensioner and my income is thus limited, that said I want to do my bit for the community where I live"*

"For my household, it would only have a slight impact but for some of my friends, who are already living pay-check to pay-check due to wages not meeting the rise in cost of living, this would have a significant impact"

"Wages aren't going up as fast as everything else"

"Already having to cope with inflation, increased energy costs, petrol prices, food costs etc. Wage rises do not keep pace. Where do Leicestershire County Council expect us to find the extra money from?"

"My concern is not the actual increase, but what saving the council can make and steps it will introduce to improve efficiency and reduce waste on some absurd projects. Planting trees at a time of 'no affordability' is mad, not to mention the ongoing cost of maintenance . Schemes such as cycle lanes whilst they MAY be desirable are not essential and should be shelved"

"Unnecessary further burden on taxpayers. Services are provided for a minority of the population"

"It's an increase that provides me with no benefits, and basic services such as road and town maintenance is reduced"

"Whilst any increase is always viewed as a negative, services still have to be paid for. I personally believe that we should contribute what it costs to deliver those services in a cost-efficient manner"

"Any increase will have an impact but I would rather this helped sustain good quality services"

"My husband and I have gained new roles with larger salaries and could therefore absorb this increase with little detriment"

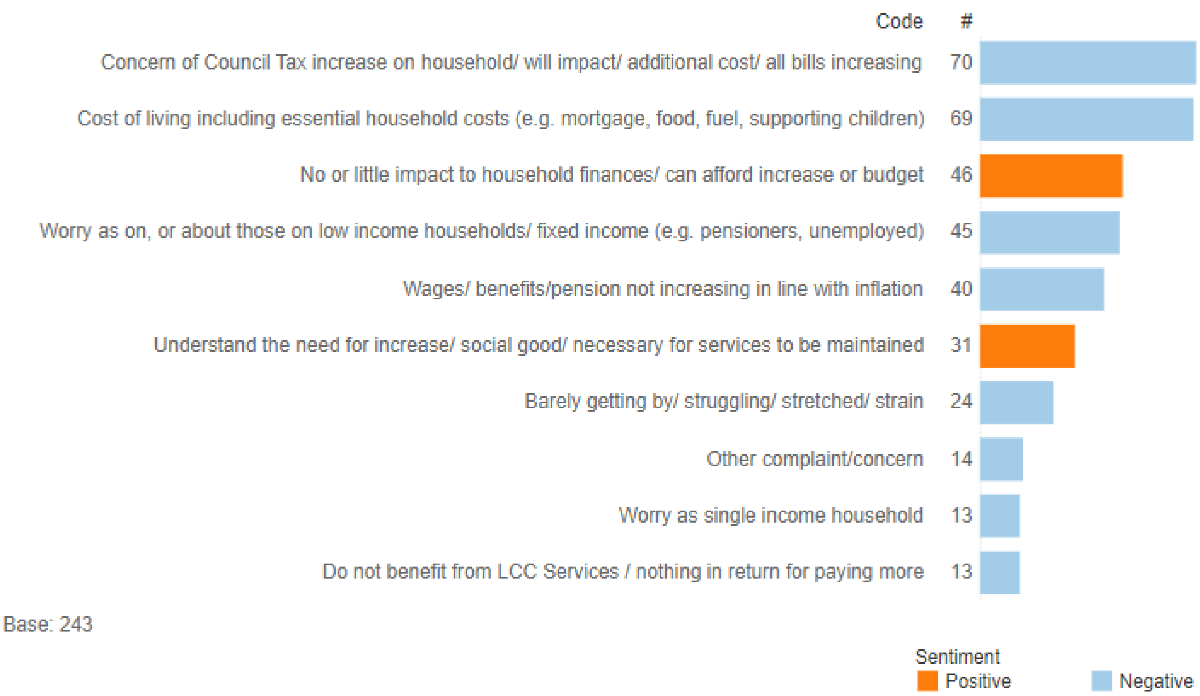
"We are in the fortunate position that we could afford the extra amount"

"It's a small monthly increase"

"We would cover it if required to"

"It wouldn't make much difference to us as we don't have to watch every penny. It is a much smaller increase than our mortgage and utility bills, for example and at least we know the money will be serving our local community rather than lining the pockets of the big bosses"

Chart 11 - Increase of 5% on household finances - Why do you say this?



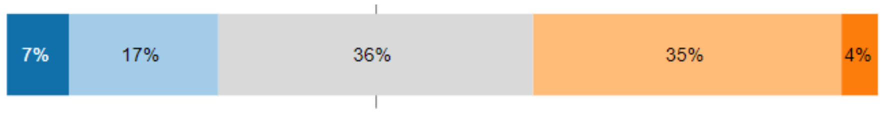
Question 7 - Growth and savings allocation

Respondents were asked to what extent they agreed or disagreed with how the growth and savings had been allocated across services. Chart 12 shows 39% agreed, 24% disagreed and a notable proportion of respondents neither agreed nor disagreed (36%).

Chart 13 shows 26% of residents agreed with how growth and savings had been allocated across services, 39% disagreed and 35% neither agreed nor disagreed.

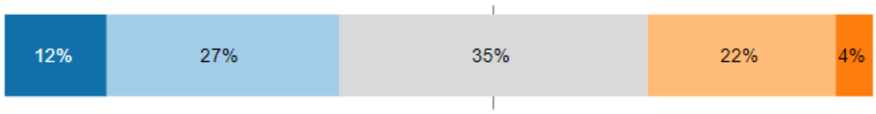
Almost half of LCC employees (49%) agreed with how growth and savings had been allocated across services, 14% disagreed and 36% neither agreed nor disagreed (see Chart 14).

Chart 12 - Growth and savings allocation - All Respondents



Base = 424

Chart 13 - Growth and savings allocation - Residents only



Base = 161

Chart 14 - Growth and savings allocation - LCC employees

Base = 249

Response
Strongly disagree | Tend to disagree | Neither agree nor disagree | Tend to agree | Strongly agree

Statistical analysis shows that LCC employees (50%) were significantly more likely to agree with how growth and savings had been allocated across council services, compared to the average (40%). Residents (26%) and those who said they lived in Melton (23%) were significantly less likely to agree than the average (40%).

Residents (39%) and those that lived in Melton (42%) were significantly more likely to disagree with how growth and savings had been allocated than the average (24%).

When compared to the average (24%), LCC employees (14%) and those that lived in North West Leicestershire (9%) were less likely to disagree with how growth and savings had been allocated across council services.

Open-ended questions

This section of the consultation survey included four open-ended questions. These are listed below:

- Are there any savings you disagree with?
- Are there any areas where you think we could make further savings?
- Do you have any comments about the areas identified for growth or capital investment?
- Do you have any other comments about our draft budget proposals?

Question 8 - Disagreement with specific savings

Respondents were asked whether there were any savings they disagreed with. In total, 195 respondents provided a response to this question (44%). Chart 15 lists the top 10 codes (see Appendix 3 for a full list of codes).

Although a notable proportion of respondents answered “No” or “N/A”, there were comments where respondents disagreed with or raised concerns about specific savings being proposed. Most comments disagreed with the proposed savings in social care, opposing any savings that would further reduce funding to adults’ or children’s social care. Respondents felt that both areas of social care should be protected from any cuts and instead be areas that require more funding. Some feared that this would cause increased pressure for those who provide and receive care.

Others made suggestions that efficiencies and savings could be made in specific areas, which were closely related to other themes identified. Most comments that focused on staffing suggested reducing agency workers or external consultants, and reducing the number of higher paid roles and management pay levels. Some respondents felt that these could be reduced to lessen the impact of any savings within social care or front-line services. Others made specific suggestions, including reducing the hospitality budget available to councillors, allowing staff to reduce their hours and charging for parking at County Hall. Some respondents made comments about bringing outsourced services in-house.

Those who disagreed with savings to Environment and Transport services mainly did so as they did not want recycling and household waste sites (RHWS) to close. These respondents were concerned that fly tipping may increase because of reduced access, and some made the argument that this would cost the council more in the long-term, as litter would need to be cleared at a cost. Specific sites were mentioned, including Market Harborough, Loughborough, Shepshed and Somerby.

Many disagreed with savings that would impact on services for residents that have Special Educational Needs or Disabilities (SEND), particularly with reference to SEND transportation, specialist provisions for children or funding for this area. Some respondents criticised the savings proposed within community or library services. Others were critical of funding cuts for those facing homelessness, with a few making reference to the Falcon Centre and the removal of face-to-face homelessness support.

Other concerns or criticisms about the savings included those who felt the proposals needed to be considered more, or that they were counterproductive, as there could be consequences that would cost the council more in the future. Others made negative comments expressing their general views on the budget or related political topics, such as the need for a referendum.

Despite clear opposition to savings, many supported the savings outlined in the strategy, and in some cases, communicating that more reductions and cuts should be made or that the current plan was not enough to make sufficient savings. A small number thought some services, including social care, were not the responsibility of the local authority, and therefore suggested these services should be reduced. A few respondents said the planned savings seemed sensible, acknowledged that the council was in a difficult position or said they understood that savings had to be made due to the current financial climate.

There were some respondents that had questions or queried specific parts of the budget and others who said they felt they needed more information on the proposals before passing judgement or making meaningful comments.

**Cutting funding to adults and communities while asking them to take on more responsibilities"*

"Cuts to adult social care—the department in which I work. We work with supporting disabled, sick and vulnerable people—the impact of trying to reduce support packages or at least not increasing them can be significant for people and often then places even greater pressure on their carers"

"Social care savings, these areas have had a lack of resource services will lead to higher costs as families reach crisis as the support isn't what it was . There are fewer charities to support families and post Covid a higher level of mental health and seeing children not at the developmental level or social level they should be, this is impacting an already struggling resource"

"Savings all seem to target front-line services and seem to skirt around the numbers of management and supervisory level staff that in my opinion look to be very 'top heavy'.

"You [put] a great deal of things out to tender or subcontractors, why not have them back 'in house' where you would have more control over costs of things"

"Back office needs to be streamlined"

"Streetlights put daytime solar panels on each light and they will pay for themselves, many countries are way ahead of the UK in that"

"I'm not really sure what is being cut back on to create savings. Hopefully its costly consultants. I think a lot of money is spent of agency workers, departments need to be properly staffed to be able to carry out the work for vulnerable people"

"You need to reduce adult social care costs and special needs costs -it is unfair that everyone has to pay for this, yet is unlikely to receive any future benefit"

"Closing waste sites as this leads to more costs incurred due to fly tipping. Social costs must increase"

**Closing Shepshed tip would be very damaging. Shepshed is growing rapidly and while at the moment might seem expensive, it is vital to local residents and fly tipping would only increase which in turn ends up costing a lot more in the long-run"*

"Really concerned about the lack of specialist school provision including the numbers without a school place"

"Disagree with reduction of SEND transport support for families"

"Making savings always costs more in the long-run"

"No—it is all taking from one to give to another. Things other than children and the elderly also need to be considered in more detail"

"More money should be put into libraries to support the community as safe spaces, warm spaces, places for community and local groups to convene....Libraries are integral to the community, and money should be put into them, not cut"

"Yes, the removal of a face-to-face homeless support contract at £300k. The proposals will end up costing more under the new scheme delivered through Local Area Coordinators"

"No, I think the council are doing a great job"

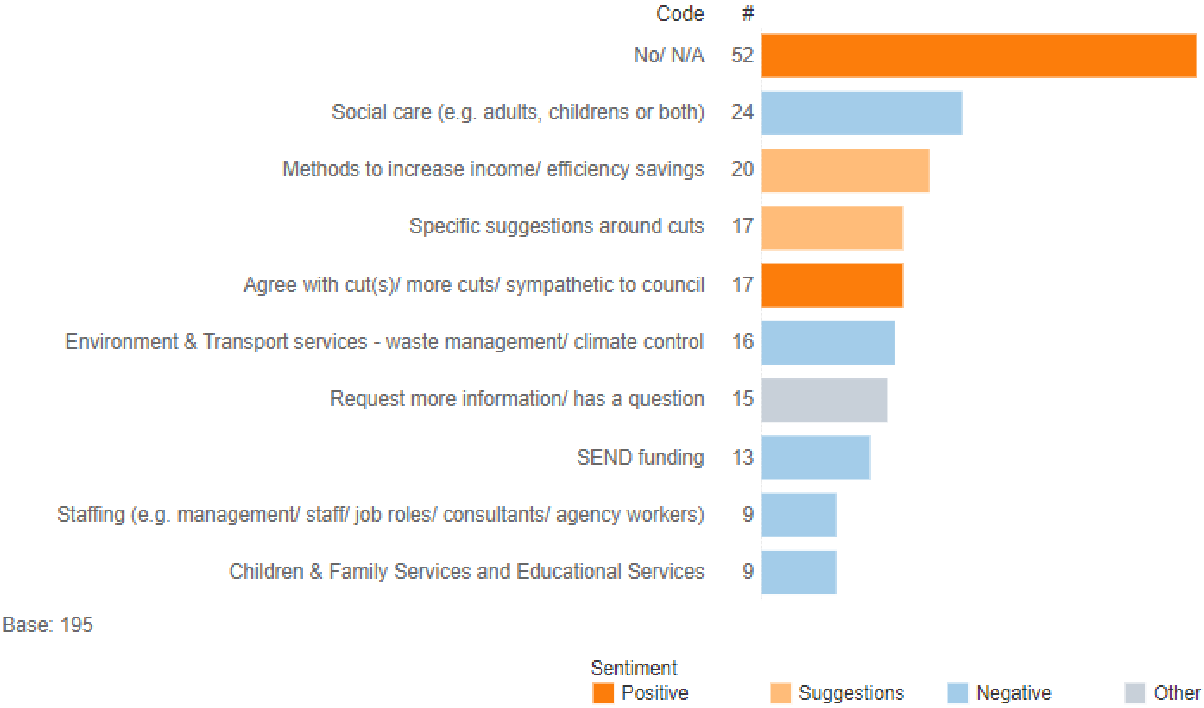
"No I agree with all savings, some need to be more severe"

"It all seems sensible given the financial difficulty"

"It is hard to understand how some of the cross-cutting savings will be implemented and how they will affect current provision. More detail is needed"

"It is impossible to say from your document. It is very opaque.... I understand why savings need to be made (hopefully we will get a Government soon which understands the importance of local government services) but it's impossible to meaningfully engage with your document as there are no meaningful details"

Chart 15 - Disagreement with specific savings - Top 10



Question 9 - Suggested areas for further savings

Respondents were asked whether there were any areas where the council could make further savings. In total, 250 respondents provided a response for this question (56%). Chart 16 lists the top 10 codes (see Appendix 3 for a full list of codes).

Suggestions for making efficiencies in staffing was the most common theme, with many references to reviewing or reducing the number of staff and management levels, across both the organisation as a whole and in specific areas or departments. Comments referenced certain roles viewed as less essential, reduced/condensed working hours and redundancies. Recruitment processes also featured amongst the suggestions, including a recruitment freeze, reviewing terms and conditions, and more focus on school leavers and/or apprenticeships. Pay cuts or reviews, including the removal of market premia were also suggested. Related to this theme were a number of comments suggesting a need to reduce the use of agency staff and/or external consultants. These included concerns regarding long-term use, quality, duplication and that work should be carried out in-house.

A notable proportion of respondents suggested efficiencies in office spaces and other buildings. These included the closure, sale, rental or subletting of council buildings, including County Hall. A number of respondents suggested that energy savings could be made, particularly in heating and lighting. Other comments regarding property included suggestions to consolidate buildings and stop office refurbishments.

Efficiencies and savings in Environment and Transport services was another key theme highlighted amongst comments, with several suggesting efficiencies in street lighting by reducing, dimming or switching off lights in certain areas. Others referenced efficiencies in highways operations, including road maintenance, winter services and other highways projects, including resource and personnel management. Some suggestions referenced the use of developers in infrastructure projects, enforcement of planning regulations and penalising contractors for poor quality work. Others felt that savings could be made in transport services, including vehicle hire and fleet maintenance, whilst the usage of park and ride services was also queried along with a suggestion to promote it more. Environmental services was highlighted as a potential area for savings or efficiencies, with respondents mentioning electric vehicle charging schemes and efficiencies around recycling and household waste.

Respondents felt that efficiencies could be made in social care, both for adults and children. Comments under this theme included transport efficiencies related to social care (including eligibility criteria and transport specifically to support those with SEND). A number of respondents suggested efficiencies in adoption, fostering and services for children in care (including in-house residential provision and reviewing independent services). Comments included suggestions for efficiencies in direct payments, financial procedures, placements, homecare, staffing, and a focus on preventative services. Others suggested the need for more joint working and better contract management.

Savings and efficiencies in central services were identified as another key theme amongst responses. Whilst a number made broad reference to support or back office functions and the general use of resources, several respondents mentioned specific areas such as communications, finance, printing, hospitality, expenses, occupational health, and pension contributions. Savings related to information technology and phone usage were also highlighted.

In addition to efficiencies in central services, respondents highlighted more general efficiencies across the authority, in particular ensuring value for money, focusing on quality and prevention, streamlining processes, and partnership working between services. Other suggestions under this theme included a review of running costs, more accountability for management, tighter oversight of budgets and less restructuring.

Several respondents made particular reference to democratic processes, in particular councillors. These suggestions included a reduction in the number of councillors, savings in expenses and allowances (including hospitality), and streamlining of meetings.

Some respondents suggested that the council should stop paying for and providing services that were viewed, by some, as unnecessary or inefficient, including services related to health and infrastructure projects. Support for shared services and partnerships with other organisations (including local councils) was also noted, in particular support for pursuing unitary status for Leicestershire.

> *"Cut back levels of management"*
>
> *"Adapting recruitment/retention policies so council-employed professionals can fulfil work as overtime instead of outsourcing to costly external agencies. Current policy does not allow council-based employees to be paid at the same rate so it is not cost-beneficial to existing council-employed professionals (who know the clients, systems etc.) to complete the work."*
>
> *"As a County Council employee, I am of the view that long-term recruitment of consultancy (agency workers) should not be permitted other than for mitigating circumstances. Many consultancy workers have been with the authority over 5 years at a higher daily rates than full time employees"*
>
> *"Reduce corporate mobile phones. Stop moving to external providers for IT and applications. Reduce Chief Officer's pay. Reducing lighting at County Hall overnight and at weekends"*
>
> *"Sell/rent council buildings"*
>
> *"Heating of council buildings. For instance some rooms in [County Hall] CH can be too hot, and Wigston library has some rooms that are much too cold in winter (so expensive electric heaters need to be used) and others that are so hot, even in winter, that the aircon is used to cool them down whilst warm air is still being blown in by the heating system!"*
>
> *"Street lighting—reducing brightness and turning off earlier/not turning on so soon. Investment in renewable energy ways"*
>
> *"Reducing the number of different groups required to complete a job. E.g. holes in the roads seem to need different people to do every job"*
>
> *"Re-organise Adult Social Care department's processes"*
>
> *"SEND, travel to schools and placements for children in care—find foster carers"*
>
> *"Transport of service users, especially those that go in just one taxi then another goes to the same placement in a separate taxi. Plus utilise the fleet buses better"*

"There needs to be a really long and hard look at what services have the most impact to vulnerable people and the quality of life of others and these should be prioritised. Provide fewer services of good quality rather than lots of services at minimum levels of quality"

"Streamline processes to reduce duplication and form filling as this takes time and costs"

"Do we really need as many councillors as we have, maybe we need to cut back on that. Do not have wasted projects and consultants to come in and tell us things we could have done ourselves, complete waste of money."

"Reduce the number of County Councillors. Reduce the amounts Councillors can claim as expenses and other payments to Councillors"

"Get back to basics only providing services which are mandatory"

"Stop wasting money on TV ads telling us what to put in our recycling bins. Stop building white elephants, putting in cycle lanes hardly anyone ever uses"

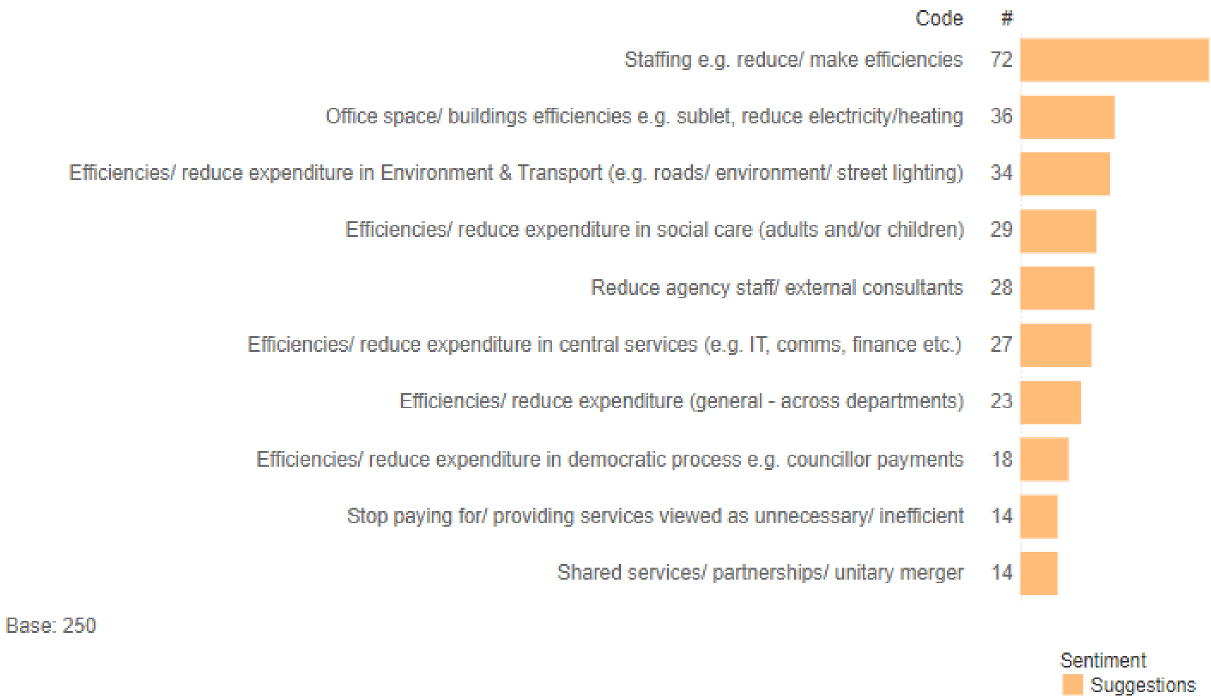
"Sharing resources with other organisations"

"Heating [County Hall] CH when the offices are empty. Unitary council -prevent duplication of services and make councils (including districts) more efficient"

"Councillor allowances and wages. Efficiency through a unitary authority. Create capacity in mainstream schools for SEND and create [Designated Specialist Provisions] DSPs. Review all admin level jobs and reduce. Close County Hall and move to smaller accommodation or centralised offices and registration venues"

"Reconsider unitary status. We ceased the translation/interpretation services many years ago. Yet the demand within social care for such services is growing and therefore would there be any cost benefit to bring back in-house, but also offer to other [Local Authorities] LAs to breakeven our costs?"

Chart 16 - Suggested areas for further savings - Top 10



Question 10 - Comments about the areas identified for growth or capital investment

Respondents were asked whether they had any other comments about the areas identified for growth or capital investment. In total, 138 respondents provided a response to this question (31%). Chart 17 lists the top 10 codes (see Appendix 3 for a full list of codes).

Apart from "No", "None" or "N/A" responses, the most common response were suggestions around other areas for growth or investment. These respondents suggested that the council should invest more in areas such as libraries, doctor's surgeries, waste and recycling services and mental health support. New cafés at country parks and wind turbines were also identified as potential areas for growth and investment.

Other suggestions mentioned various ways that the council could increase income, including ensuring that Council Tax is collected from all households and more investment in public transport to boost the local economy. Several respondents felt that County Hall could be better utilised to generate additional income, by renting the office spaces to other organisations or renting the larger areas of the building for events and conferences.

Respondents also suggested that investment in roads and transport should be a significant focus. Keeping the roads in good condition by repairing potholes, drains, pavements and the general maintenance of roads was suggested. Improving transport links, such as bus routes and having safer bike routes were also mentioned by respondents. One respondent suggested that investment in transport infrastructure would be welcomed by the business community, as it is essential for businesses to be able to transport goods effectively and efficiently across the country.

Several respondents also expressed concerns and criticisms regarding the council's proposals and decisions. These concerns included one respondent who mentioned that they have read all the council's plans before and nothing has been achieved and another who felt that the council should have more realistic ideas. Another respondent believed that despite the ongoing construction of new housing, developers often fail to adequately fund essential infrastructure (such as schools, doctor's surgeries and roads), and this results in overpopulated schools and strain on healthcare services.

Some respondents raised issues with the specific growth areas identified in the budget plans. They mentioned concerns about the cost of major road building schemes, not having enough infrastructure to support the growth in housing and requested that caution should be taken when buildings or land is being sold, as this has long-term consequences for people living in the area. Others suggested that new projects should be put on hold if the council is having to use money from reserves.

There were several respondents that felt that they would need more information to be able to comment about the areas identified for growth or capital investment. Some felt that the proposals lacked detail about the budget plans, whilst others raised questions about what cost savings will be made, what corporate growth refers to and if the funding will be used in a way that is the best value for money.

A notable proportion of respondents were positive about the proposals and agreed with the council's plans to support and invest in housing, schools, special educational needs, social care, mental health support and local transport.

"Investment into libraries, invest more"

"Fully support plans to invest in a cafe at Watermead Country Park, a good 'invest to save' initiative. I see 300 runners at Watermead every Saturday morning, a significant potential captive audience. Our country parks would thrive with the right investment - quality play equipment, visitor centre, walking, running and cycling routes, cafes, maybe even a tourist train. This would then justify higher car park charges."

"Renewable energy - wind turbines and the cabling to ensure they can run everyday and produce electricity across the county daily."

"Hospital in Melton it would save people having to travel to Leicester, Loughborough, Oakham why???? Doctors surgery you keep building houses but those people now all want a doctor there's not enough to go round who is making these ridiculous decisions"

"More waste collection services for recycling. Try on demand transport as most people are on [Personal Independence Payment] PIP or [Disability Living Allowance] DLA using these services and could pay."

"In my view Schools, Social Care, Community Services such as Libraries, and Active Travel infrastructure should be the priorities."

"Fill up [County Hall] CH with other agencies so that there is an income from this massive building. Ensure that council tax is collected as there are lots that do not pay"

"Continue to review County Hall shared spaces and how we can benefit from renting/selling parts of it. There are so many office spaces that are empty. Large floors/office spaces to be made into function rooms that can be internally and externally rented for events and conferences. These events could be catered by our LCC catering service to create an even bigger return on investment"

"Roads need more investment they are only getting worse and many will need significant investment soon if we don't start investing more now"

"More roads just generate more cars. There should be more investment in public transport and active travel. Investment in public transport has opportunities for income generation and boosts local economy."

"Cut back on social services. Roads and transport should be a significant focus, they're not bad but they're not good. Most of the roadside drains are blocked and/or clogged for example and there are a fair number of potholes.

"More funding needed from central Government to support services"

"As stated think the wrong areas are being looked at and staffing numbers (particularly higher level management) should be scrutinised more."

"Staff pay is consuming more and more of your budget and we get less and less services, this isn't right!"

"Not really because I've read it all before and nothing was achieved"

"Ethics and sustainability of investments should also be considered, as well as their cost."

"Less red tape and more straightforward policies and actions"

"Everything appears to be about support and reactiveness to events. Preventative measures will always beat out reactive ones. We need to plan, schedule and resource better, not afterthoughts"

"I think big projects should be put on hold if you are having to use money from reserves"

"There is insufficient detail about where the County Council invests and at what rates of return to gauge the soundness of existing measures against potential market developments. Our Council has seen a significant benefit in ensuring the bare minimum is kept in non-interest-bearing current accounts and ensuring the best value is obtained by investing in high-return savings accounts and investments, which are all extremely ethical, with spending possible through a planned approach to investment. Considering the balances the County Council must have in reserves, a better approach must exist to maximise interest-earning potential."

"It's not clear to me what Corporate Growth refers to, or why it is so large compared with the other areas. I support increased spending in the other proposed areas."

"It needs to be questioned where there are LCC contributions to capital whether using funding in that way is the best value for money when considering the impact of service cuts. Growth needs to be reflective of need and increases in demand should not automatically be a call for additional funding"

"I don't understand the question"

"You need to publish the full list so that everyone is aware of what you plan for growth and capital investment"

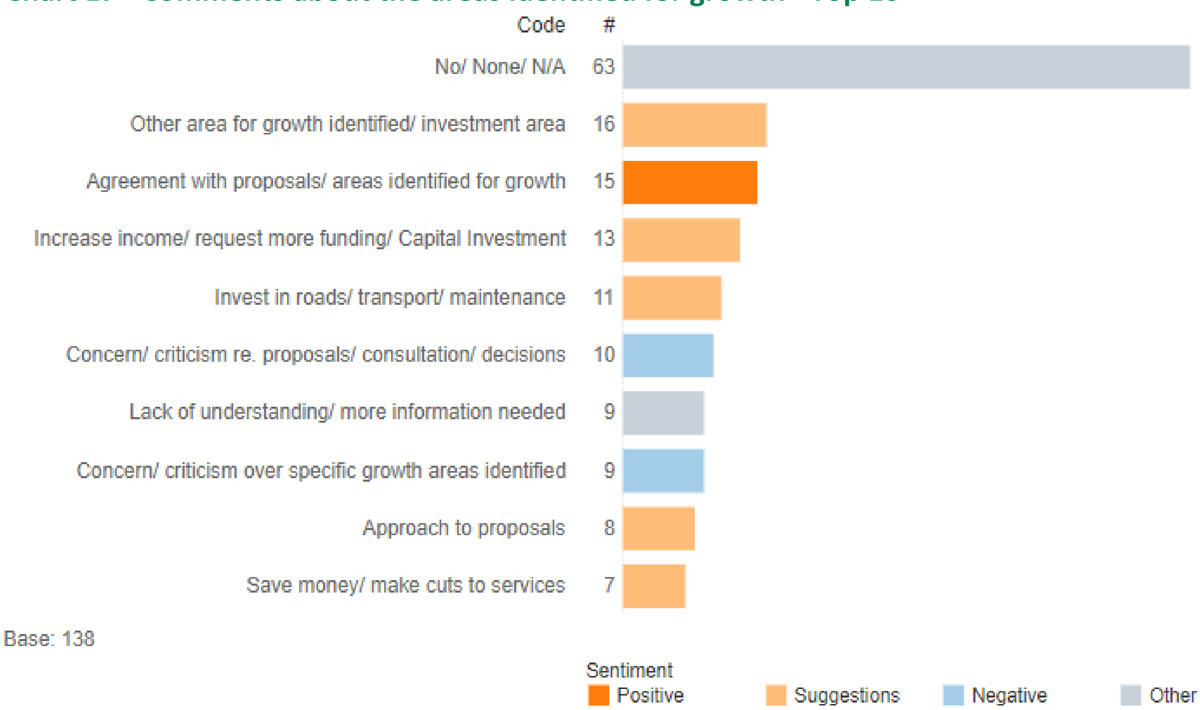
"I agree that adult social care & special educational needs are key priority areas"

"Yes, we really applaud them. We think spending on SEND, social care, mental health support is crucial as the council should be leading in these areas for some of the most vulnerable members of our community. (On a personal note as a parent of a child in the special ed system, I would put a plea in for better mainstream support for SEND and mental health issues, including access to [Occupational Therapy] OT services as standard in mainstream schools, as [Neurodevelopmental Disorder] ND/sensory needs are foundation sitting underneath many mental health conditions)."

"We definitely need more housing for low income families. I see lots of housing being built but not much for smaller families or those starting on the property ladder. schools definitely need more investment - we should not be fundraising for books"

"Agree with investment in social care"

Chart 17 - Comments about the areas identified for growth - Top 10



Funding Reform

The questionnaire explained that Leicestershire remains the lowest-funded county in the country and that Council Tax levels are unfair for Leicestershire residents, when compared to other local authority areas. It was also stated that although faced with an ongoing challenging financial situation, the council is continuing to lead calls for funding reform and to look for opportunities to work more efficiently and effectively.

Question 11 - Council continue lobbying Government for fairer funding

Respondents were asked to what extent they agreed or disagreed that the council should continue lobbying Government to review the way funding is distributed between councils. Chart 18 shows that the majority of respondents agreed (93%), 3% disagreed and 4% neither agreed nor disagreed.

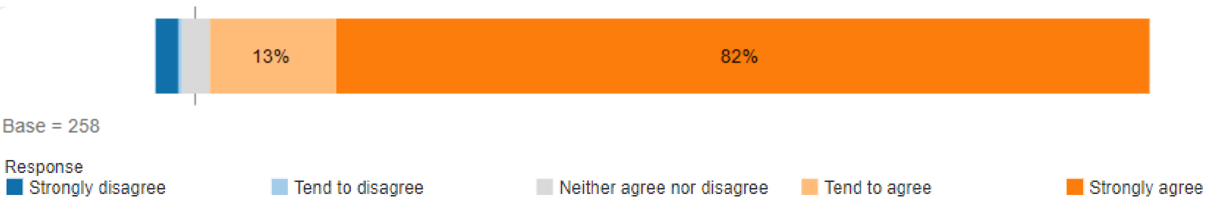
The majority of residents (90%) agreed that the council should continue lobbying Government, 5% disagreed and 5% neither agreed nor disagreed (see Chart 19).

Chart 20 shows a higher proportion of LCC employees (95%) agreed with this, 3% disagreed and 3% neither agreed nor disagreed.

Chart 18 - Reviewing the funding distributed between councils - All Respondents

Chart 19 - Reviewing the funding distributed between councils - Residents only

Chart 20 - Reviewing the funding distributed between councils - LCC employees



Statistical analysis shows respondents living in Melton were significantly less likely to agree (85%) and more likely to disagree (12%) that the council should continue lobbying Government to review the way funding is distributed between councils, when compared to the average (93% and 3%, respectively).

Question 12 - Other comments on the council's budget proposals

Respondents were asked to provide any other comments they had about the council's draft budget proposals. In total, 150 respondents provided a response to this question (34%). Chart 21 shows the top 10 codes (see Appendix 3 for a full list of codes).

Apart from those who responded "No", "None" or "N/A", the response to this question was mixed. Most respondents provided suggestions regarding the council's budget plans. These respondents highlighted a need for better budgeting, particularly for the council to be more realistic and sensible when deciding what to spend money on. Some of these comments were in relation to spending necessary money on essential services rather than building more roads or houses. Other respondents suggested ways to generate additional income, including private sector investment and charging business rates on council properties and land. Some suggested improved ways to lobby central Government for Fairer Funding, such as joining with district councils or other councils in the same financial position.

Several suggestions were in relation to staffing, management and departments. Many of these respondents felt that there were too many managers, or highly paid managers. Some suggested ideas for managing staff, such as removing unproductive employees or paying staff based on performance. Others felt that agency staff, external consultants and councillor costs needed to be reduced in order to save money. There were other suggestions in relation to this, including more joined up working between departments and speaking directly to front-line staff before making further cuts.

A notable proportion of respondents criticised or had concerns regarding the council's proposals. There were several comments where respondents expressed concerns about how additional service cuts would impact essential services, particularly those for vulnerable residents. Some respondents questioned how council services could run efficiently if further reductions were made, as they had already been cut to the bone in previous years. Whilst many felt there should not be further cuts to social care, others felt too much money was being spent in this area.

Respondents also mentioned that they did not want to see further cuts to support services for children with Special Educational Needs and Disabilities (SEND), Recycling and Household Waste Sites (RHWS), libraries, museums and parks. Although the budget plans stated that Leicestershire County Council is not facing a financial crisis yet, there were some concerns about the council dipping into reserves and the proposals to deliver services differently.

There were many mentions of Leicestershire being unfairly underfunded. A number of respondents indicated that they agreed that the council should continue lobbying central Government for more funding. These comments included those that acknowledged that this was a national issue, appreciated the difficult financial situation that the council is in and expressed frustration that there has not been much improvement made to secure fairer funding for Leicestershire. Whilst there were some respondents that recognised the council's challenges, several were critical of the council's efforts to lobby Government and stated that fairer funding is outlined in the budget plans every year however there have not been any positive results.

Other respondents acknowledged that Leicestershire is underfunded and has been for years, whilst others said that central Government does not seem to be listening and the council should do more to fight for fairer funding.

Council Tax increases was another recurring criticism. Many respondents pleaded with the council to not further increase Council Tax, as they felt residents have already been stretched with continuous rises in inflation and general living costs. Others criticised the proposed rise in Council Tax, or felt they were being asked to pay more for reduced services.

Several respondents said they needed further information or detail to provide a meaningful response, whilst others asked questions around specific areas outlined in the budget plans. A few respondents felt that the council needed to be more transparent about the proposals. Similarly, some respondents highlighted issues with the survey or supporting documents. These respondents felt that the survey appeared to be a 'tick box exercise' or that the information around the consultation or the survey itself could have been more accessible.

Positive responses reflected a general support for the council's proposals and the identified areas for growth outlined in the budget plans. Some respondents said they understood the responsibility and difficulty that the council faces due to underfunding from central Government during such a difficult financial time.

> *"Consider very carefully how you propose to spend any money and the devastating impacts any rises will have on residents. If not you may find people simply cannot pay and therefore creating a false economy."*
>
> *"Protect front line services. Stop building major roads that just add to our environmental, health and congestion issues. I do think there is inefficiency in the two tier system - that needs reviewing."*
>
> *"Manage expectations for the public and staff. While it is good that LCC says they're not in crisis yet, dipping into reserves seems like a quite drastic step before huge savings need to be made."*
>
> *"More private sector investment should be generated for projects such as roads and house building."*
>
> *"Better budgeting needed from here on-in"*
>
> *"The Council should consider lobbying the Government together with Rutland and the District Councils to force Leicester City Council in forming a Combined Authority with an Elected Mayor as examples from across the country show this is working. The opportunities particularly for a strategic approach to housing, investment, transport and growth are to big to allow one organisation to have a veto - it should be put to the public for them to decide as we do with the [Police and Crime Commissioner] PCC."*
>
> *"I think that with other Council's in your position you should lobby the present Government regarding the differences in funding."*
>
> *"You've been lobbying central government for years to address fairer funding for Leicestershire with zero positive results- how would continuing this result in any other outcome- why is Leicestershire overlooked?"*
>
> *"The government isn't listening to you, fair funding is a pipe dream."*
>
> *"I am glad you are looking at funding and doing more to lobby the government. It is so unfair that more affluent areas get more than Leicestershire and pay less council tax."*
>
> *"There are still unnecessary items"*
>
> *"Please consider all those in society that are disadvantaged before any thoughts about new roads or other infrastructure projects."*
>
> *"Again disagree with certain reductions with RHWS operations"*

"Look into the problem of management staffing. Too many for one job."

"Remove unproductive staff and pay productive staff based on performance including cost savings they identify"

"There is still a lot of waste and top heavy management ,for instance, paperwork sent out shiny brochures a lot of which can be done online ,and look at expenses too many councillors ,Too many courses for staff by overpaid consultants which could be done in house"

"You can't win whatever you do, but please consider not raising council tax too much as people are really struggling"

"If we are already paying the highest council tax in the Country it's not really fair to increase it further."

"You should look to use more of your reserves in the short term to offset the need for council tax rises at a time when people are really struggling financially."

"Although prepared to pay the increased council tax, is it right that we are paying more money for reduced services?"

"Publish the full budget so that people make educated comments and bits"

"I couldn't find the draft proposal, not sure where to download it or read it. Is is just the one page on your website?"

"Not enough detail to be able to give any meaningful comments"

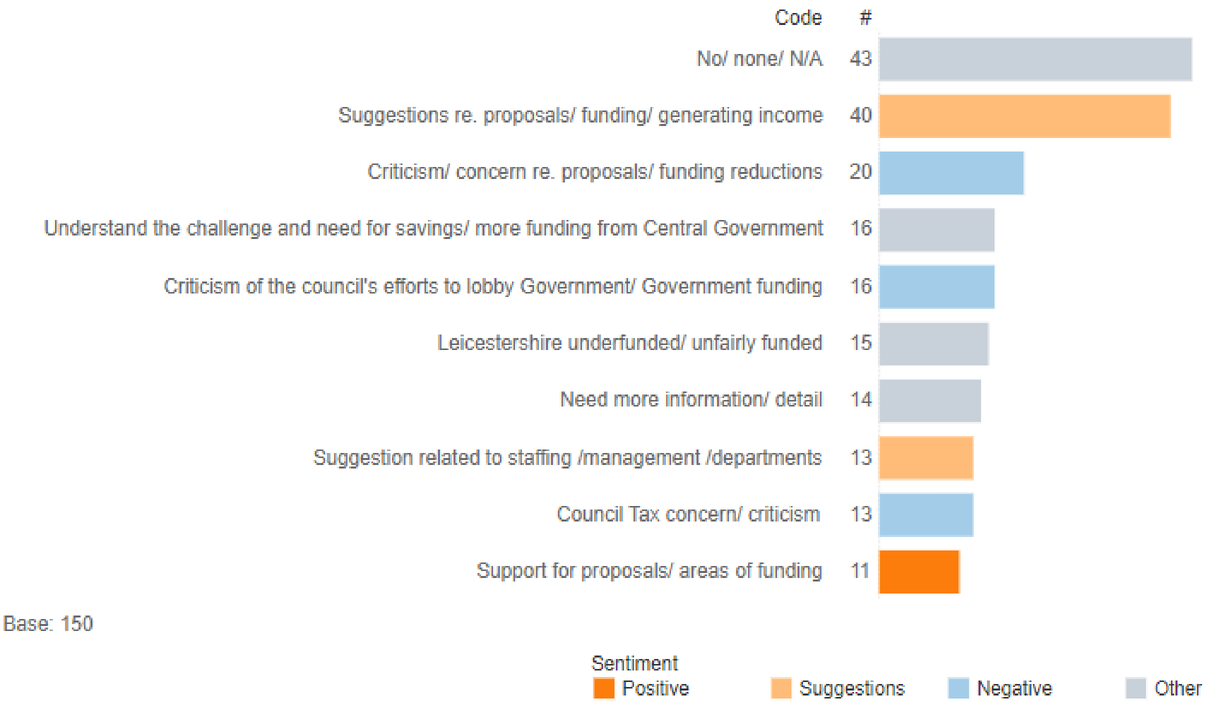
"It is not possible to answer most of the questions on this survey as they are appropriate for a household and not for an organisation like a Parish Council"

"They are well thought through and are aimed at providing the best possible solutions in current circumstances"

"No, I think there are proportionate and fair"

"We are the lowest funded local authority but in a much better place financially than others as we manage our finances better than most"

Chart 21 - Other comments on the council's budget proposals - Top 10



Communications

Question 13 - How the respondents found out about the consultation

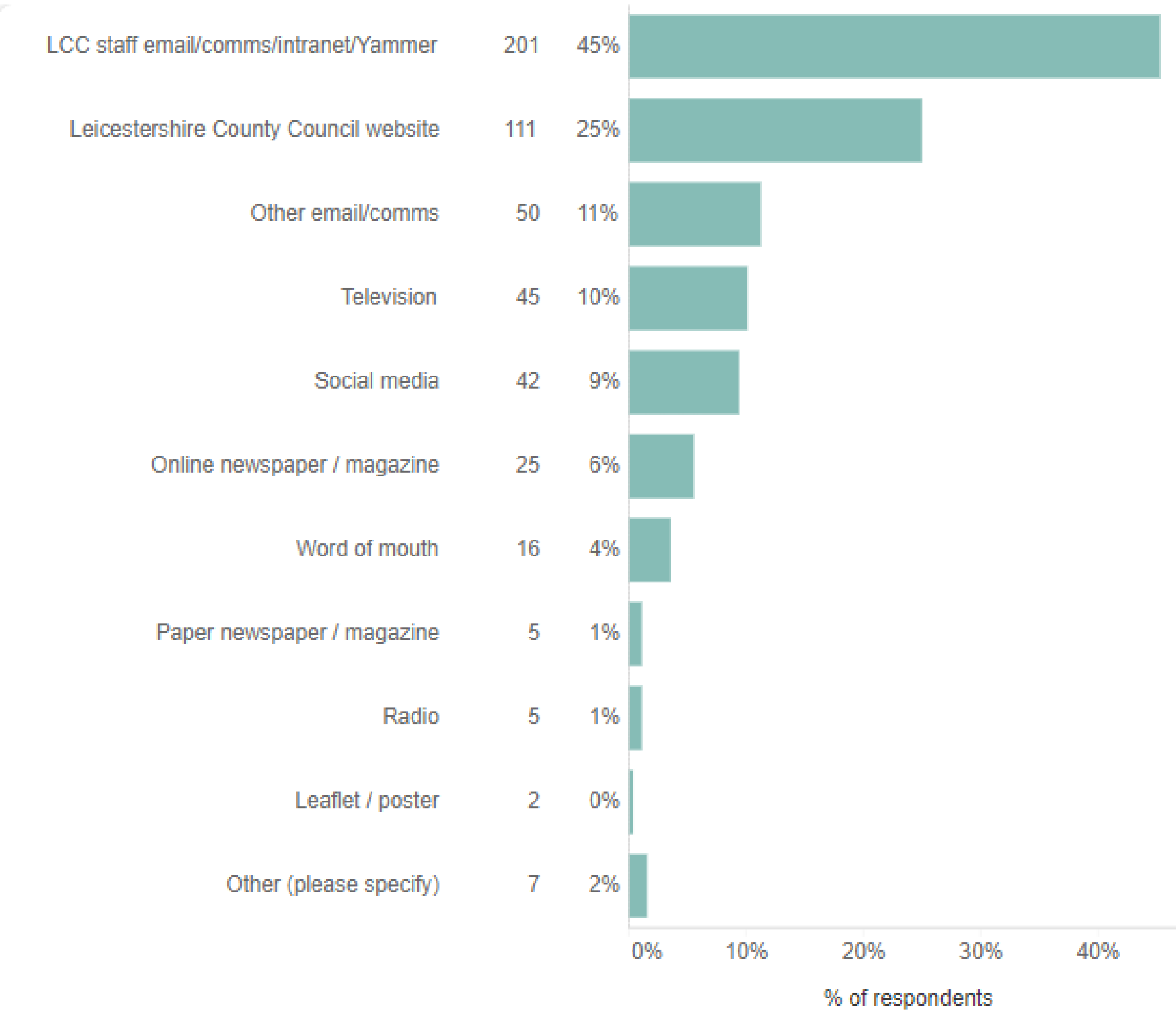
The questionnaire asked respondents how they found out about this consultation.

Chart 22 shows under half (45%) of respondents said they found out about the consultation through LCC staff email/comms/intranet/Yammer and a quarter (25%) found out through the Leicestershire County Council website.

Around a tenth of respondents said they found out about the consultation through other emails or communications (11%), television (10%) or social media (9%). A smaller proportion said they found out through online or paper newspaper/magazine, word of mouth, radio or a leaflet/poster.

Some respondents said they found out about the consultation through other sources, including information shared by county councillors, voluntary groups or district councils.

Chart 22 - How respondents found out about the consultation (multiple response)



Base = 443

Appendix 1 - Questionnaire

Leicestershire County Council

Have your say on our draft budget plans 2024- 2028

Background

Councils across the country are facing unprecedented challenges as spiralling social care prices, growing service demand and inflation drive up costs.

Economic forecasts indicate that it is unlikely future Government funding will be sufficient to compensate for these challenges.

You may have seen that nearby councils, such as Nottingham and Birmingham Cities, have declared that they do not have enough resources to continue to deliver services by issuing a section 114 notice.

We are not in crisis territory – but we do have a significant budget gap. Our four-year draft budget, known as the medium term financial strategy, shows that we have a gap of £12m next year for which we will have to dip into reserves.

This gap rises to £85m by 2028, and that is after plans for a further £77m of savings. These savings are mostly efficiency and include further reductions in back office costs, reviewing and simplifying processes and maximising the use of technology. However, further savings will need to be identified on top of those already planned, and this means that we will need to deliver many of our services differently.

Our four-year budget proposals include investing £127m more to meet growing demand, mainly in social care, and an extra £113m to cover inflation and the National Living Wage increase.

We also have a four-year capital programme totaling £445m - for the cost of building roads, schools and other one-off projects linked to new homes being built across Leicestershire.

A three per cent Council Tax increase for our core services is planned for next year, generating £11m for front line services and adding 88p per week to the bill of a Band D property. A further £7 m would be raised from a two per cent increase in the adult social care precept adding 58p per week. Those are maximum percentage increases allowed by the Government.

We have published our 2024-2028 spending plans for consultation. These plans assume a proposed three per cent increase on core Council Tax for 2024/25 and incorporate an additional two per cent 'social care precept' increase. Increases of five per cent for 2025/26 and three per cent for 2026/27 and 2027/28 have been assumed. Decisions on future years' Council Tax levels, including the adult social care precept, will be taken prior the start of each year.

If you have any comments about the draft budget proposals, we would like to hear from you. Your views will be taken into consideration when the council finalises its spending plans.

We would encourage you to read the **budget proposals web page** before completing the survey.

Consultations on individual proposals will be brought forward in due course.

The closing date for this consultation is **midnight 17 January 2024**.

Thank you for your assistance. Your views are important to us.

If completing on a phone or tablet do <u>not</u> use the back button on your device as you may lose your response.

Please note: Your responses to the main part of the survey (including your comments) may be released to the general public in full under the Freedom of Information Act 2000. Any responses to the questions in the 'About you' section of the questionnaire will be held securely and will <u>not</u> be subject to release under Freedom of Information legislation, nor passed on to any third party.

Your role

Q1 In which role(s) are you responding to this consultation? Please tick all applicable.

- ☐ I am a resident
- ☐ I represent/own a local business
- ☐ I represent a voluntary and community services (VCS) organisation or social enterprise
- ☐ I represent another stakeholder e.g. district/borough/parish council, health, police, school/education etc.
- ☐ I am an employee of Leicestershire County Council
- ☐ Other

Please specify 'other' below

Q2 If you indicated that you represent an organisation, business, community group, school/other educational establishment, please provide your details.

Name:

Organisation:

Q3 Are you providing your organisations official response to the consultation?

- ◯ Yes
- ◯ No

Our proposals

Growing demand for county council services - plus general price rises (inflation) - are increasing the cost of delivering services. Council Tax is the county council's main source of income and annual increases contribute towards covering these costs.

We have published our 2024-2028 spending plans for consultation. These plans assume a proposed 3% increase on core Council Tax and an additional 2% 'social care precept' increase in 2024/25.

The Council Tax bill for county council services in 2023/24 is currently £1,525 per year for a band D property. Every 1% increase in Council Tax generates an additional £3.7m of income each year and reduces the need to make savings. Every 1% increase costs a household in a band D property an additional £15.25 per year (or £1.27 per month) on their Council Tax bill. Figures for the other Council Tax bands can found on the website.

Q4 What core Council Tax increase would you be prepared to pay next year to fund county council services (excluding any 'social care precept')?

The figures in brackets show what this increase would be next year for a household in a band D property.

- ◯ Above 3%
- ◯ 3% (an extra £45.76 next year)
- ◯ 2% (an extra £30.51 next year)
- ◯ 1% (an extra £15.25 next year)
- ◯ None
- ◯ Council Tax should be reduced
- ◯ Don't know

Q5 What, if any, additional increase would you be prepared to pay next year as a separate 'social care precept' to be used exclusively for the funding of adult social care?

The figures in brackets show what this increase would be next year for a household in a band D property.

- ◯ Above 2%
- ◯ 2% (an extra £30.51 next year)
- ◯ 1% (an extra £15.25 next year)
- ◯ None
- ◯ Don't know

Q6 What impact, if any, would an overall 5% increase in Council Tax (the proposed total of core Council Tax and precept) have on your household finances?

A 5% increase would be an extra £76.27 next year or £6.36 per month in a band D property.

- ◯ Significant impact
- ◯ Moderate impact
- ◯ Slight impact
- ◯ No impact
- ◯ Don't know

Why do you say this?

Q7 Overall, to what extent do you agree or disagree with how the growth and savings have been allocated across our services?

Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know
◯	◯	◯	◯	◯	◯

Q8 Are there any savings you disagree with?

Q9 Are there any areas where you think we could make further savings?

Q10 Do you have any comments about the areas identified for growth or capital investment?

Funding Reform

Leicestershire remains the lowest-funded county in the country. If it was funded at the same level as Surrey, it would be £125 million per year better off, or £547 million if compared to Kensington and Chelsea. Council Tax levels are unfair too – the average Leicestershire resident (band C) pays more Council Tax than a resident living in the most expensive properties (band H) in Westminster in London. Faced with an extremely challenging financial situation, we're continuing to lead calls for funding reform and look for opportunities to work more efficiently and effectively.

Q11 To what extent do you agree or disagree that the council should continue lobbying Government to review the way funding is distributed between councils?

Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know
○	○	○	○	○	○

Any other comments

Q12 Do you have any other comments about our draft budget proposals?

Q13 How did you find out about this consultation? Please tick all applicable.

- ☐ Leicestershire County Council website
- ☐ Word of mouth
- ☐ Leaflet / poster
- ☐ Online newspaper / magazine
- ☐ Paper newspaper / magazine
- ☐ Social media
- ☐ Television
- ☐ Radio
- ☐ LCC staff email/comms/intranet/Yammer
- ☐ Other email/comms
- ☐ Other (please specify)

Please specify 'Other' below

About you

Leicestershire County Council is committed to ensuring that its services, policies, and practices are free from discrimination and prejudice, address the needs of all sections of the community and promote and advance equality of opportunity.

Many people face discrimination in society because of their personal circumstances and for this reason we have decided to ask these monitoring questions.

We would therefore be grateful if you would answer the following questions. You are under no obligation to provide the information requested, but it would help us greatly if you did.

Q14 What is your gender?

- ◯ Male
- ◯ Female
- ◯ I use another term

Q15 Is the gender you identify with the same as your sex registered at birth?

- ◯ Yes
- ◯ No

Q16 What was your age on your last birthday? (Please enter your age in numbers not words)

[ ]

Q17 What is your postcode? This will help us understand views in different areas.

[ ]

Q18 Are you a parent or carer of a young person aged 17 or under?

- ◯ Yes
- ◯ No

Q19 Are you a carer of a person aged 18 or over?

- ◯ Yes
- ◯ No

A carer is someone of any age who provides unpaid support to family or friends who could not manage without this help.

Q20 Do you have a long-standing illness, disability or infirmity?

- ◯ Yes
- ◯ No

Q21 What is your ethnic group? Please tick <u>one</u> box only.

- ◯ White
- ◯ Mixed
- ◯ Asian or Asian British
- ◯ Black or Black British
- ◯ Other ethnic group

Q22 What is your religion or belief?

- ◯ No religion
- ◯ Christian (all denominations)
- ◯ Buddhist
- ◯ Hindu
- ◯ Jewish
- ◯ Muslim
- ◯ Sikh
- ◯ Any other religion or belief

Q23 What is your sexual orientation?

- ◯ Bi
- ◯ Gay or Lesbian
- ◯ Straight/ Heterosexual
- ◯ I use another term

Please click the 'submit' button below to send us your response.

Thank you for your time. Your views will be considered before the budget is finalised in February 2024.

Data Protection: Personal data supplied on this form will be held on computer and will be used in accordance with current Data Protection Legislation. The information you provide will be used for statistical analysis, management, planning and the provision of services by the county council and its partners. Leicestershire County Council will not share any personal information collected in this survey with its partners. The information will be held in accordance with the council’s records management and retention policy. Information which is not in the ‘About you’ section of the questionnaire may be subject to disclosure under the Freedom of Information Act 2000.

Appendix 2 - Respondent profile

Age	447	Survey Responses % Ex NR*	% Inc NR*	2021 Census (15+) %
Under 15	0	0.0	0.0	16.4
15-24	10	2.6	2.2	11.7
25-34	41	10.8	9.2	12.0
35-44	79	20.8	17.7	12.1
45-54	92	24.2	20.6	13.7
55-64	111	29.2	24.8	13.3
65-74	33	8.7	7.4	11.2
75-84	14	3.7	3.1	7.0
85 or above	0	0.0	0.0	2.6
No reply	67		15:0	

**This includes one respondent who entered '0'*

Gender	447	Survey Responses % Ex NR*	% Inc NR*	2021 Census %
Male	153	61.0	54.6	49.4
Female	244	38.3	34.2	50.6
I use another term	3	0.8	0.7	
No reply	47		10.5	

Do you have a long-standing illness or disability?*	447	Survey Responses % Ex NR*	% Inc NR*	2021 Census %
Yes	89	22.2	19.9	16.2
No	312	77.8	69.8	83.8
No reply	46		10.3	

**2021 Census asks if respondents day-to-day activities are limited a lot*

Ethnicity	447	Survey Responses % Ex NR*	% Inc NR*	2021 Census %
White	359	92.1	80.3	87.5
Mixed	9	2.3	2.0	2.2
Asian or Asian British	15	3.8	3.4	8.2
Black or Black British	2	0.5	0.4	1.1
Other ethnic group	5	1.3	1.1	1.0
No reply	57		12.8	

Sexual orientation	447	Survey Responses % Ex NR*	% Inc NR*	2021 Census %
Bi	14	3.7	3.1	1.0
Gay or Lesbian	9	2.4	2.0	1.2
Straight/Heterosexual	343	90.0	76.7	91.1
I use another term	15	3.9	3.4	0.2
No reply	66		14.8	6.5

What is your religion?	447	Survey Responses % Ex NR*	% Inc NR*	2021 Census %
No religion	188	48.5	42.1	40.3
Christian (All denominations)	172	44.3	38.5	45.8
Buddhist	2	0.5	0.4	0.3
Hindu	6	1.5	1.3	3.7
Jewish	1	0.3	0.2	0.1
Muslim	7	1.8	1.6	2.3
Sikh	1	0.3	0.2	1.7
Any other religion or belief	11	2.8	2.5	0.5
No reply	59		13.2	5.5

Are you a parent or carer of a young person aged 17 or under?	447	Survey Responses % Ex NR*	% Inc NR*	2021 Census %
Yes	121	29.7	27.1	(Census data includes all people cared for regardless of age)
No	286	70.3	64.0	
No reply	40		8.9	

Are you a carer of a person aged 18 or over?	447	Survey Responses % Ex NR*	% Inc NR*	2021 Census %
Yes	62	15.4	13.9	(Census data includes all people cared for regardless of age)
No	341	84.6	76.3	
No reply	44		9.8	

District	447	Survey Responses % Ex M/O#	% Inc M/O#	2021 Census %
Blaby	55	17.5	12.3	14.5
Charnwood	82	26.1	18.3	25.8
Harborough	39	12.4	8.7	13.7
Hinckley & Bosworth	46	14.6	10.3	16.0
Melton	33	10.5	7.4	7.3
North West Leicestershire	34	10.8	7.6	14.7
Oadby & Wigston	25	8.0	5.6	8.1
Missing/ Invalid/ Non-LLR Postcode	133		29.8	

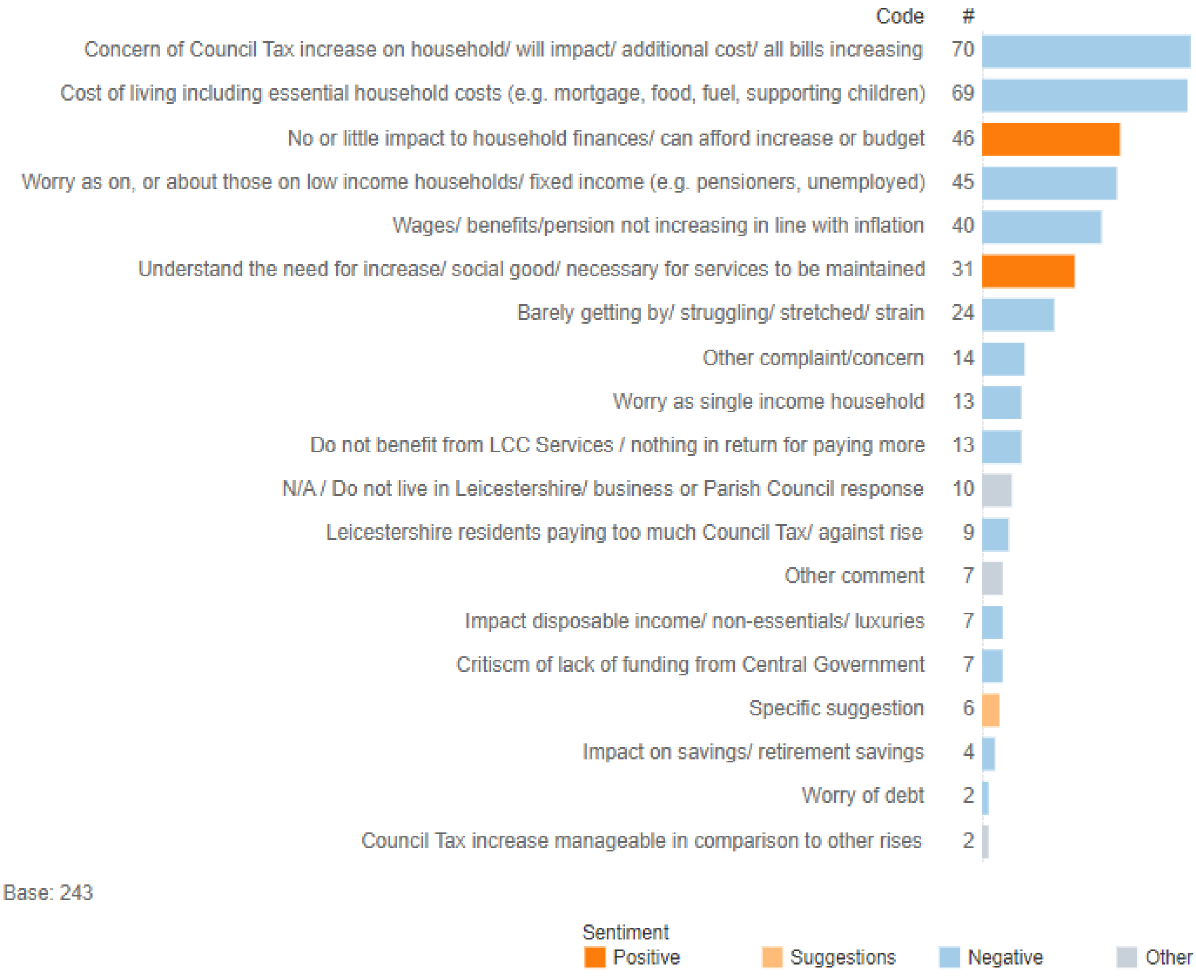
National IMD quintile 2019	447	Survey Responses % Ex NR*	% Inc NR*	2021 Census %
1 (most deprived)	8	2.4	1.8	1.6
2	26	7.9	5.8	10.7
3	48	14.5	10.7	16.6
4	114	34.5	25.5	33.5
5 (least deprived)	134	40.6	30.0	37.6
No reply	117		26.2	

*NR = No reply
M/O = Missing/invalid or Other Authority postcode

Appendix 3 - All open comment codes

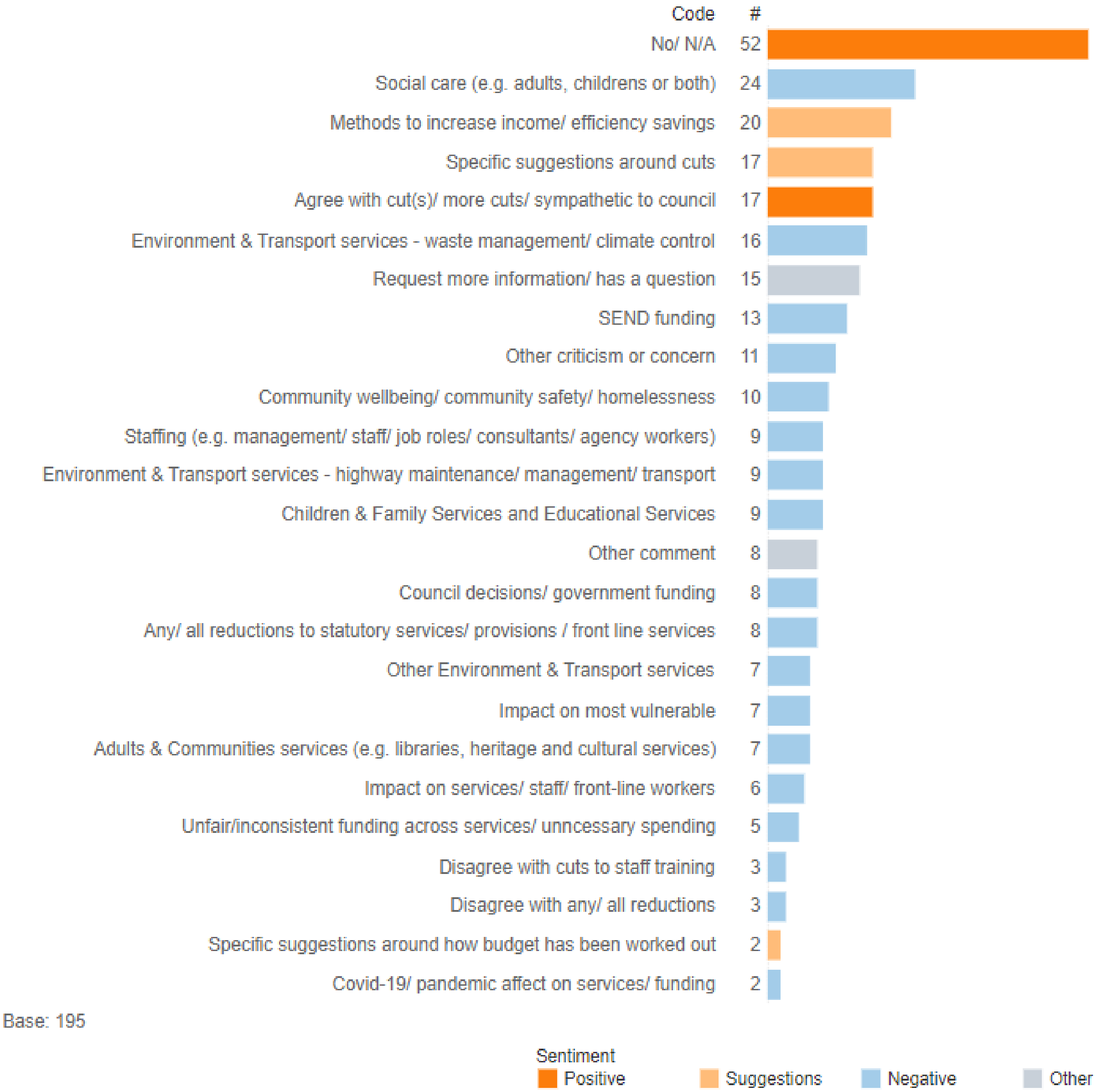
Q6a - Impact of overall 5% Council Tax increase. Why do you say this?

Full list of codes



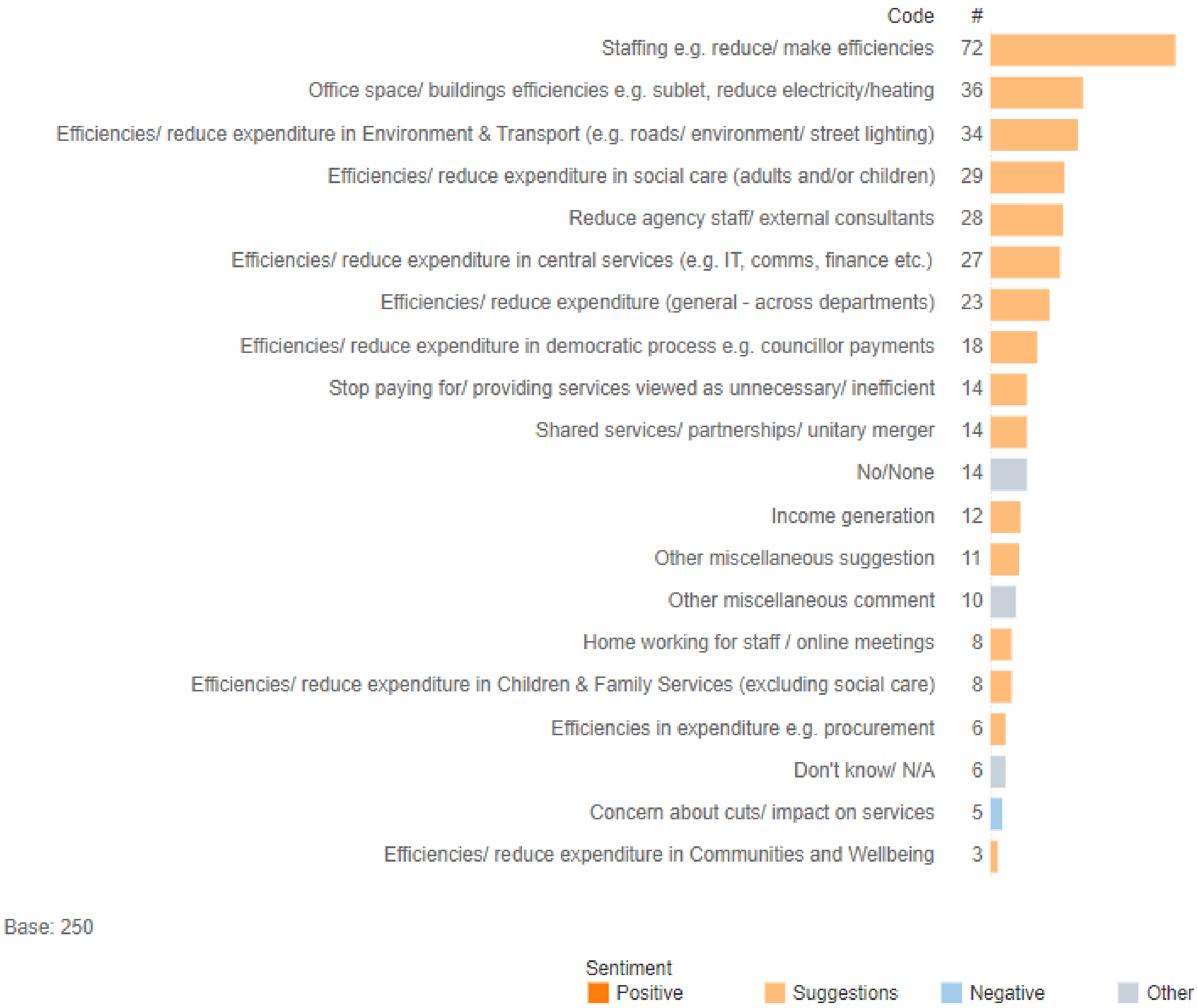
Q8 - Are there any savings you disagree with?

Full list of codes



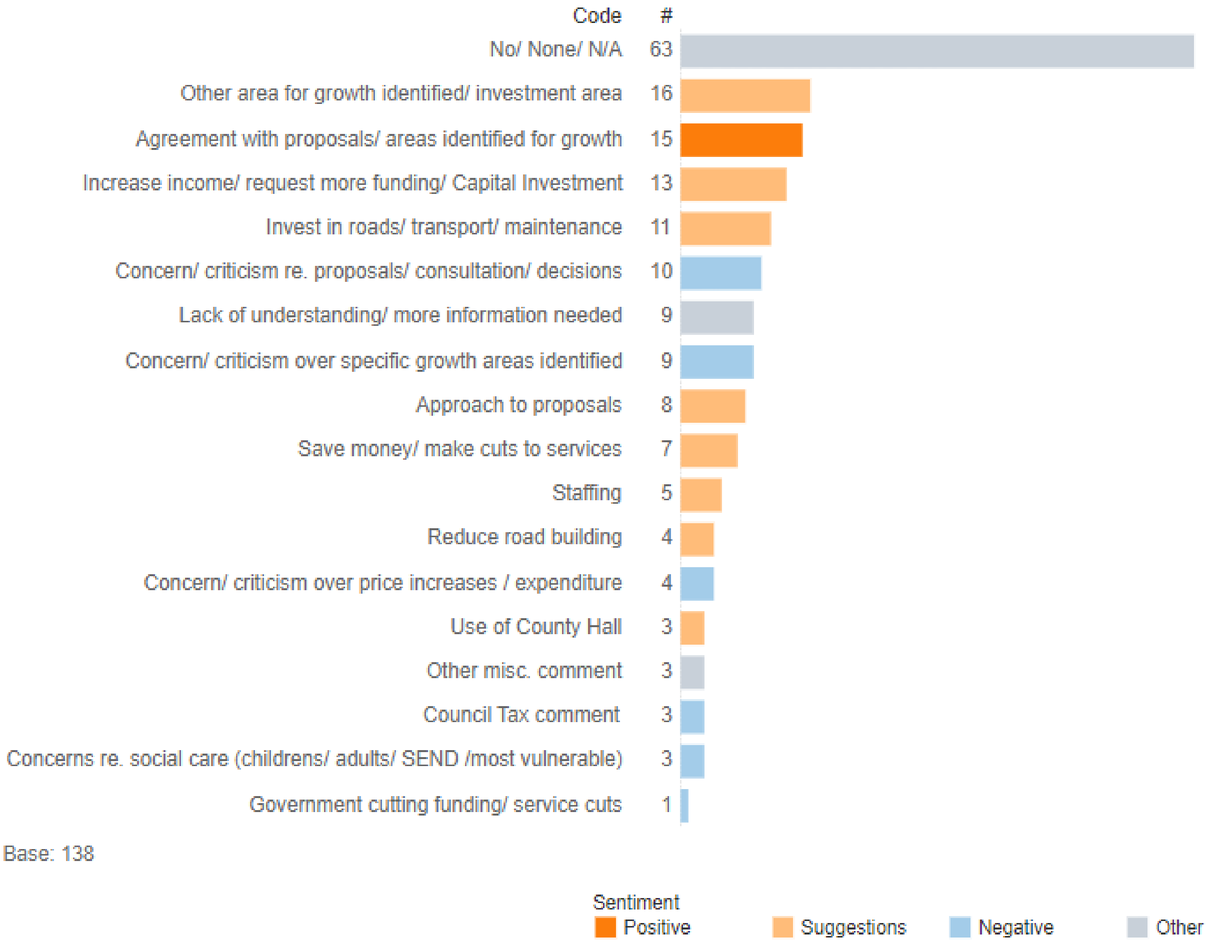
Q9 - Are there any areas where you think we could make further savings?

Full list of codes



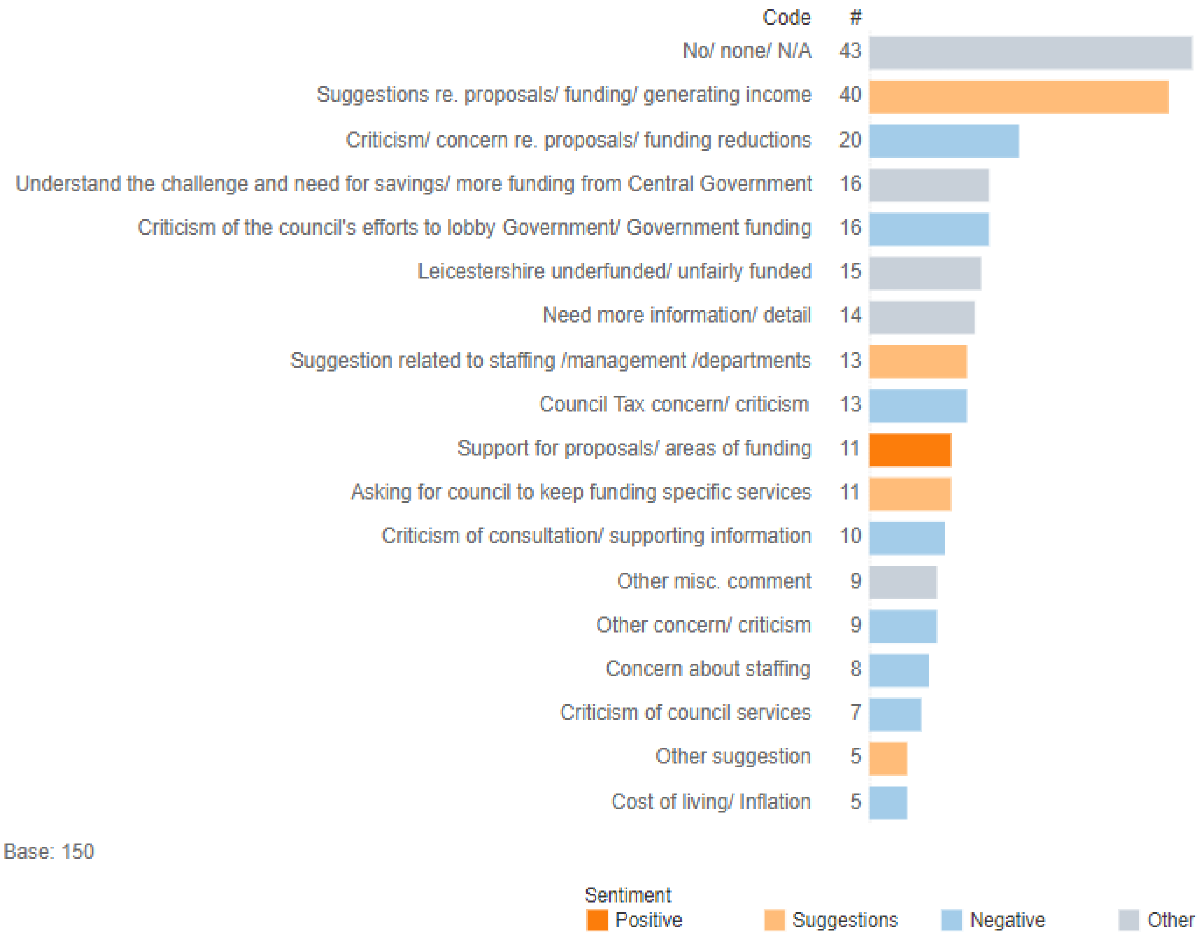
Q10 - Do you have any comments about the areas identified for growth and capital investment?

Full list of codes



Q12 - Do you have any other comments on our draft budget proposals?

Full list of codes



Appendix 4 - Statistical Analysis

How to read these tables

These tables allow you to statistically compare a response by a specific demographic group against the overall respondent sample. The statistical test used to identify statistical significance is called chi-square.

Statistical significance using chi-square tests is determined by looking at the difference between the expected and observed proportion of respondents. For example if 50% of the whole sample said 'agree' for a given question, the expected proportion of any demographic (e.g. males) saying 'agree' is 50%. The expected proportion is then compared to the actual/observed proportion of the demographic who said 'agree', and a measure of statistical significance is calculated.

To maximise statistical reliability, responses were aggregated where appropriate. For example, Matrix 1 displays the statistical analysis for Question 4. Responses were aggregated into 'Agree' = ('Strongly agree' and 'Tend to agree') and 'Disagree' = ('Strongly disagree' and 'Disagree').

Matrix 1
Question 4: "What core Council Tax increase would you be prepared to pay next year to fund County Council services (excluding any 'social care precept'?"

		Role (combined response)			Gender			Age				Disability		Ethnic group		Religion			Parent/Carer u17		Carer o18		Sexual Orientation		District								IMD Quintile					Rural/Urban	
Response	Avg %	LCC Employee	Resident (and not LCC employee)	Other	Female	Male	I use another term	Under 35	35 - 44	55+	45 to 54	Yes	No	White	BME	No religion	Christian religion	Non-Christian religion	Yes	No	Yes	No	Straight/Heterosexual	LGB+	Blaby	Charnwood	Harborough	Hinckley & Bosworth	Melton	North West Leicestershire	Oadby & Wigston	Non-Leicestershire Authority	1 - Most deprived	2	3	4	5 - Least deprived	Urban	Rural
Above 3%	22	21	21	45	15	34	0	10	23	23	25	21	22	22	13	21	24	7	22	21	15	22	22	24	33	13	26	28	15	24	12	40	25	19	23	20	25	21	27
3% (an extra £43.60 next year)	30	31	28	18	32	28	33	25	33	30	30	30	29	32	13	30	31	26	32	29	35	29	31	24	24	30	33	35	21	47	24	20	50	38	30	29	28	31	28
2% (an extra £28.06 next year)	17	19	16	9	21	13	0	25	14	18	15	21	17	18	13	18	17	19	17	18	20	17	18	16	17	24	15	15	21	15	16	7	0	12	11	23	19	17	20
1% (an extra £14.53 next year)	15	15	15	9	20	6	33	21	10	16	15	13	16	14	20	14	15	19	11	17	13	16	15	16	9	20	13	13	27	3	20	20	13	15	26	10	16	15	15
None	12	9	16	18	9	13	33	15	11	11	9	12	11	10	20	12	10	15	9	12	12	11	10	16	11	5	10	7	9	9	24	7	0	12	11	12	6	9	10
Council Tax should be reduced	5	5	5	0	4	7	0	4	9	2	7	3	6	4	20	5	3	15	8	4	5	5	5	5	6	7	3	2	6	3	4	7	13	4	0	5	6	7	0

Significance
Very significantly higher
Significantly higher
Significantly lower
Very significantly lower
Similar
Suppressed

Matrix 2

Question 5: “What, if any, additional increase would you be prepared to pay next year as a separate ‘social care precept’ to be used exclusively for the funding of Adult Social Care?”

Response	Avg %	Role (combined response): LCC Employee	Role: Resident (and not LCC employee)	Role: Other	Gender: Female	Gender: Male	Gender: I use another term	Age: Under 35	Age: 35 - 44	Age: 55+	Age: 45 to 54	Disability: Yes	Disability: No
Above 2%	17	18	13	42	11	26	0	7	19	14	22	14	16
2% (an extra £28.06 next year)	29	31	26	17	31	28	0	24	29	38	20	33	28
1% (an extra £14.53 next year)	28	30	26	17	37	14	33	29	27	25	36	23	31
None	26	20	34	25	21	32	67	40	25	22	23	30	25

Response	Ethnic group: White	Ethnic group: BME	Religion: No religion	Religion: Christian religion	Religion: Non-Christian religion	Parent/Carer u17: Yes	Parent/Carer u17: No	Carer o18: Yes	Carer o18: No	Sexual Orientation: Straight/Heterosexual	Sexual Orientation: LGB+
Above 2%	16	11	15	18	7	21	14	12	17	16	19
2% (an extra £28.06 next year)	33	11	28	35	15	26	32	34	29	31	22
1% (an extra £14.53 next year)	27	39	28	25	44	33	27	34	28	27	35
None	25	39	28	22	33	20	27	20	26	26	24

Response	District: Blaby	District: Charnwood	District: Harborough	District: Hinckley & Bosworth	District: Melton	District: North West Leicestershire	District: Oadby & Wigston	District: Non-Leicestershire Authority	IMD Quintile: 1 - Most deprived	IMD Quintile: 2	IMD Quintile: 3	IMD Quintile: 4	IMD Quintile: 5 - Least deprived	Rural/Urban: Urban	Rural/Urban: Rural
Above 2%	19	13	21	20	13	15	13	20	14	8	17	16	18	13	23
2% (an extra £28.06 next year)	31	25	39	33	25	45	17	27	43	38	21	29	33	31	29
1% (an extra £14.53 next year)	27	42	18	24	28	30	29	33	29	23	43	30	27	31	28
None	23	20	21	24	34	9	42	20	14	31	19	25	22	24	20

Significance
- Very significantly higher
- Significantly higher
- Significantly lower
- Very significantly lower
- Similar
- Suppressed

Matrix 3
Question 4 and Question 5 Combined: Total Council Tax Increase

		Role (combined response)			Gender			Age				Disability		Ethnic group		Religion			Parent/ Carer u17	
Response	Avg %	LCC Employee	Resident (and not LCC employee)	Other	Female	Male	I use another term	Under 35	35 - 44	55+	45 to 54	Yes	No	White	BME	No religion	Christian religion	Non-Christian religion	Yes	No
Above 5%	20	20	18	42	15	28	0	8	23	21	22	20	19	20	7	18	23	7	22	18
5%	15	17	14	8	15	17	0	10	16	18	13	15	15	17	10	14	18	14	15	16
Above 4%	2	2	2	0	1	4	0	2	0	3	2	1	2	2	7	2	2	0	2	2
4%	16	18	13	8	19	10	0	19	15	15	16	15	16	17	3	18	14	11	18	14
Above 3%	2	2	3	0	2	3	0	0	1	3	3	2	2	2	3	3	1	0	1	2
3%	11	10	13	8	14	8	33	8	11	13	12	15	11	12	7	11	13	14	10	12
Above 2%	0	0	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2%	12	12	12	0	17	5	33	25	11	13	6	13	13	12	17	13	11	14	12	13
1%	7	8	5	8	7	5	0	10	4	3	14	3	8	6	13	7	5	14	8	7
None	10	6	15	17	7	13	33	13	9	10	4	12	9	8	17	9	9	11	5	11
Council Tax should be reduced	4	4	5	0	3	7	0	4	9	2	7	3	5	4	17	5	3	14	8	4

	Carer o18		Sexual Orientation		District								IMD Quintile					Rural/Urban	
Response	Yes	No	Straight/Heterosexual	LGB+	Blaby	Charnwood	Harborough	Hinckley & Bosworth	Melton	North West Leicestershire	Oadby & Wigston	Non-Leicestershire Authority	1 - Most deprived	2	3	4	5 - Least deprived	Urban	Rural
Above 5%	18	20	20	24	30	15	21	26	9	21	12	31	25	15	19	19	22	18	25
5%	13	16	17	8	11	15	23	17	12	26	8	13	25	19	15	14	16	16	16
Above 4%	0	3	2	0	0	1	5	4	0	6	0	6	0	0	2	3	3	3	2
4%	23	14	16	16	15	16	15	17	15	21	20	0	13	27	17	17	13	17	12
Above 3%	2	2	2	3	4	0	5	0	12	0	0	0	0	4	4	2	2	2	4
3%	13	12	11	14	15	20	8	11	12	12	8	6	13	4	6	16	15	13	14
Above 2%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2%	11	13	12	14	7	16	8	7	15	6	16	25	13	8	17	12	10	12	10
1%	7	7	7	5	4	9	3	11	9	3	8	6	0	8	13	4	7	7	6
None	8	10	8	14	9	2	10	4	9	3	24	6	0	12	8	9	5	6	9
Council Tax should be reduced	5	4	5	3	6	7	3	2	6	3	4	6	13	4	0	5	6	7	0

Significance
Very significantly higher
Significantly higher
Significantly lower
Very significantly lower
Similar
Suppressed

Matrix 4

Question 6: “What impact, if any, would an overall 5% increase in Council Tax (the proposed total of core Council Tax and precept) have on your household finances?”

		Role (combined response)			Gender			Age				Disability		Ethnic group		Religion			Parent/Carer u17		Carer o18		Sexual Orientation	
Response	Avg %	LCC Employee	Resident (and not LCC employee)	Other	Female	Male	I use another term	Under 35	35 - 44	55+	45 to 54	Yes	No	White	BME	No religion	Christian religion	Non-Christian religion	Yes	No	Yes	No	Straight/Heterosexual	LGB+
Significant impact	28	21	38	22	28	25	67	30	25	27	29	31	27	25	57	22	30	48	23	30	31	27	26	32
Moderate impact	28	31	21	44	29	23	33	30	14	29	29	35	25	27	21	28	26	26	25	28	30	26	27	24
Slight impact	33	37	29	33	31	41	0	30	46	34	28	29	35	35	21	36	34	22	37	33	28	35	35	27
No impact	11	11	12	0	12	11	0	10	14	10	13	5	13	13	0	14	11	4	15	10	11	11	11	16

	District								IMD Quintile					Rural/Urban	
Response	Blaby	Charnwood	Harborough	Hinckley & Bosworth	Melton	North West Leicestershire	Oadby & Wigston	Non-Leicestershire Authority	1 - Most deprived	2	3	4	5 - Least deprived	Urban	Rural
Significant impact	25	31	23	13	29	15	40	19	50	23	17	27	25	27	20
Moderate impact	22	19	26	24	29	39	40	19	0	35	41	26	20	25	28
Slight impact	36	43	33	47	39	27	20	38	38	38	30	34	42	40	31
No impact	16	7	18	16	3	18	0	25	13	4	11	13	14	8	21

Significance
Very significantly higher
Significantly higher
Significantly lower
Very significantly lower
Similar
Suppressed

Matrix 5

Question 7: "Overall, to what extent do you agree or disagree with how the growth and savings have been allocated across our services?"

	Response	Agree	Neither agree nor disagree	Disagree
	Avg %	40	36	24
Role (combined response)	LCC Employee	50	36	14
	Resident (and not LCC employee)	28	35	39
	Other	14	43	43
Gender	Female	40	37	24
	Male	45	32	24
	I use another term	0	100	0
Age	Under 35	44	38	18
	35 - 44	46	33	21
	55+	42	33	25
	45 to 54	39	39	22
Disability	Yes	45	29	26
	No	40	37	23
Ethnic group	White	41	36	23
	BME	47	33	20
Religion	No religion	40	36	24
	Christian religion	43	35	23
	Non-Christian religion	52	36	12
Parent/Carer u17	Yes	46	35	19
	No	39	36	25
Carer o18	Yes	40	43	17
	No	41	34	25
Sexual Orientation	Straight/Heterosexual	41	36	23
	LGB+	53	22	25
District	Blaby	35	33	31
	Charnwood	47	33	20
	Harborough	46	38	16
	Hinckley & Bosworth	51	30	19
	Melton	23	35	42
	North West Leicestershire	42	48	9
	Oadby & Wigston	40	24	36
	Non-Leicestershire Authority	69	25	6
IMD Quintile	1 - Most deprived	63	25	13
	2	46	29	25
	3	40	34	26
	4	40	32	28
	5 - Least deprived	45	37	18
Rural/Urban	Urban	45	32	23
	Rural	40	39	22

Significance
Very significantly higher
Significantly higher
Significantly lower
Very significantly lower
Similar
Suppressed

Matrix 6

Question 11: "To what extent do you agree or disagree that the council should continue lobbying Government to review the way funding is distributed between councils?"

		Role (combined response)			Gender			Age				Disability		Ethnic group		Religion			Parent/Carer u17		Carer o18		Sexual Orientation	
Response	Avg %	LCC Employee	Resident (and not LCC employee)	Other	Female	Male	I use another term	Under 35	35 - 44	55+	45 to 54	Yes	No	White	BME	No religion	Christian religion	Non-Christian religion	Yes	No	Yes	No	Straight/Heterosexual	LGB+
Agree	93	95	90	88	92	95	100	98	91	91	96	92	94	94	90	94	92	96	95	92	93	93	93	100
Neither agree nor disagree	4	3	5	13	4	2	0	2	4	4	1	5	3	3	3	3	3	4	1	4	5	3	3	0
Disagree	3	3	5	0	4	3	0	0	5	5	3	3	4	3	7	3	5	0	4	4	2	4	4	0

	District								IMD Quintile					Rural/Urban	
Response	Blaby	Charnwood	Harborough	Hinckley & Bosworth	Melton	North West Leicestershire	Oadby & Wigston	Non-Leicestershire Authority	1 - Most deprived	2	3	4	5 - Least deprived	Urban	Rural
Agree	98	93	97	96	85	97	92	81	100	88	90	94	95	93	96
Neither agree nor disagree	0	5	3	2	3	0	0	13	0	12	2	2	2	3	1
Disagree	2	2	0	2	12	3	8	6	0	0	8	4	2	4	3

Significance
Very significantly higher | Significantly higher | Significantly lower | Very significantly lower | Similar | Suppressed

If you require information contained in this leaflet in another version e.g. large print, Braille, tape or alternative language please telephone: 0116 305 6803, Fax: 0116 305 7271 or Minicom: 0116 305 6160.

જો આપ આ માહિતી આપની ભાષામાં સમજવામાં થોડી મદદ ઈચ્છતાં હો તો 0116 305 6803 નંબર પર ફોન કરશો અને અમે આપને મદદ કરવા વ્યવસ્થા કરીશું.

ਜੇਕਰ ਤੁਹਾਨੂੰ ਇਸ ਜਾਣਕਾਰੀ ਨੂੰ ਸਮਝਣ ਵਿਚ ਕੁਝ ਮਦਦ ਚਾਹੀਦੀ ਹੈ ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ 0116 305 6803 ਨੰਬਰ ਤੇ ਫ਼ੋਨ ਕਰੋ ਅਤੇ ਅਸੀਂ ਤੁਹਾਡੀ ਮਦਦ ਲਈ ਕਿਸੇ ਦਾ ਪ੍ਰਬੰਧ ਕਰ ਦਵਾਂਗੇ।

এই তথ্য নিজের ভাষায় বুঝার জন্য আপনার যদি কোন সাহায্যের প্রয়োজন হয়, তবে 0116 305 6803 এই নম্বরে ফোন করলে আমরা উপযুক্ত ব্যক্তির ব্যবস্থা করবো।

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Business Intelligence Service
Leicestershire County Council
County Hall, Glenfield
Leicester LE3 8RA

ri@leics.gov.uk
www.lsr-online.org

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Summary of the Equality Impact Assessment of Leicestershire County Council's Medium-Term Financial Strategy 2024-28

Equalities implications of the budget proposals

The assessment of the Medium-Term Financial Strategy 2024-28 has been completed to:

- enable decision makers to make decisions on an informed basis which is a necessary component of procedural fairness
- inform decision makers of the potential for equality impacts from the budget changes
- consider the cumulative equality impacts from all changes across all Departments
- provide some background context of the local evidence of cumulative impacts over time from public sector budget cuts

Equalities issues

The Council complies with equalities legislation and decision makers must be cognisant of the Public Sector Equality Duty[1]. Specifically, the Council must have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equalities Act 2010. Regard should also be had to the need to advance equality of opportunity between persons with protected characteristics[2] and persons who do not share those characteristics. Decision makers should also have regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The Census data from 2020 showed that 16.5% of Leicestershire's population have a minority ethnic identity, 20.8% are aged 65 and over, 8,4% had a religion other that Christianity, 16.6% considered themselves disabled, and 2.4% are lesbian, gay, or have another sexual identity.

The Leicestershire Community Insight Survey of residents for July to September 2023 found that 92.9% of people agree that Leicestershire is a place where people of different backgrounds get on well. 81.8% of residents agree that Leicestershire County

[1] Per Section 149 of the Equality Act 2010

[2] The protected characteristics are age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

Council treats all types of people fairly. Whilst these figures are high, there has been a decrease from previous years when the survey was conducted.

The County Council also chooses to look at the impact on other communities of interest. These include:

- People serving within the armed forces or ex-armed forces
- Gypsy and Traveller communities
- Asylum seeker and refugee communities
- Migrant workers and other new arrivals
- Looked after children
- Care leavers
- Deprived or disadvantaged communities

Assessment Findings

The Council continues to be committed to having due regard for equalities objectives across its work and this assessment does not remove the requirement to conduct Equality Impact Assessments (EIAs) on the Council's policies, projects and programmes. Each proposal within the MTFS will need to be subject to a separate EIA, to identity the potential impacts on people with protected characteristics and appropriate mitigations.

Many of the proposals in the MTFS 2024-28 were agreed as part of the previous MTFS, and others are amendments to existing plans that have already been agreed.

There are several areas where there are opportunities for positive benefits for people with protected characteristics from the additional investment the County Council is making. There is growth in funding for the following services:

- Older people community and residential social care
- Adult learning disabilities
- Adult mental health
- Physical disabilities
- Child social care

- Children with special educational needs
- Transport for social care and children with special educational needs.
- Unaccompanied asylum-seeking children

However, due to the rising number and increasing complexity of eligible cases, there is a risk that this investment will not keep up with demand, impacting on the outcomes for people with protected characteristics who use these services.

Overall, the assessment finds that the Council's budget proposals risk a greater impact on older people, children, and disabled people more than people without these characteristics. This is as expected given the nature of the services provided by the Council.

Proposed savings with potential significant equalities implications.

Proposal Reference	**Proposed title**	**Department**	**Proposal Description**	**Protected Characteristic**
SAVINGS				
CF1	Innovation Partnership	Children & Family Services	Creation of assessment and resources team in residential accommodation	Age (children & young people) Disability
CF3 and 6	Defining CFS For the Future Programme	Children & Family Services	Smarter commissioning and procurement, departmental efficiencies.	Age (children and young people); Disability
AC1	Increased income	Adults & Communities	Fairer charging and removal of subsidies	Age (working age and older people); Disability
AC2	Digital Assisted technology for service users	Adults & Communities	Increased use of digital assisted technology	Age (older people) Disability
AC10	HART and CRS reviews	Adults & Communities	Improving outcomes for homecare assessment and reablement team / community response service	Disability Age

ET2	Assisted Transport Programme	Environment and Transport	Assisted Transport Programme	Age (children and older people) Disability
CR4	Customer Programme	Corporate Resources	Moving towards a greater digital offer for customers	Age Disability
	Transforming SEND and Inclusion in Leicestershire	Dedicated Schools Grant	Transforming SEND and Inclusion in Leicestershire	Age (children and young people); Disability

APPENDIX Q

Leicestershire County Council

HEALTH OVERVIEW AND SCRUTINY COMMITTEE
17 JANUARY 2024

MEDIUM TERM FINANCIAL STRATEGY 2024/25-2027/28

MINUTE EXTRACT

Public Health Medium Term Financial Strategy 2024/25 – 2027/28

The Committee considered a joint report of the Director of Public Health and the Director of Corporate Resources which provided information on the proposed 2024/25 to 2027/28 Medium Term Financial Strategy (MTFS) as it related to Public Health. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

The Chairman welcomed Mrs. L. Richardson CC, Cabinet Lead Member for Health, to the meeting for this item.

Arising from discussion, the following points were noted:

(i) The Public Health Department had 118 members of staff and this figure included the inhouse services that the department provided such as the Quit Ready scheme. Members commended the work that had been carried out by Public Health with that level of staffing.

(ii) Members welcomed the role the Public Health department played in adding value to the work of other County Council departments and the NHS. It was emphasised that more needed to be done to publicise this.

(iii) Members noted the large amount of savings that were projected for the MTFS period 2024/25 to 2027/28 and queried whether these numbers were achievable. In response it was explained that most of those savings had already been achieved for example with the difficult decisions that had been made around the homelessness support service, sport and physical activity programmes and school food.

(iv) A member queried whether Public Health was spending the correct proportion of its budget on tackling obesity. In response the Director of Public Health acknowledged that more needed to be done in this area particularly as the percentage of adults aged 16 and over in Leicestershire that were meeting the '5 a day' recommendations was not as good as hoped. However, there were budget constraints and core costs such as the health visiting service had to be met. The weight management service received more Public Health funding than general obesity campaigns. On the whole the Director of Public Health felt that the balance was the correct one under the circumstances.

(v) In 2023 a procurement process had taken place for the Integrated Sexual Health Service. Whilst there had been expressions of interest at the soft market testing stage, no providers had bid at the final stage. Therefore, a decision had been made to extend the contract of the current provider for a further 12 months.

RESOLVED:

(a) That the report and information now provided be noted;

(b) That the comments now made be forwarded to the Scrutiny Commission for consideration at its meeting on 29 January 2024.

HIGHWAYS AND TRANSPORT OVERVIEW AND SCRUTINY COMMITTEE

18 JANUARY 2024

MEDIUM TERM FINANCIAL STRATEGY 2024/25-2027/28

MINUTE EXTRACT

Medium Term Financial Strategy 2024/25 – 2027/28

The Committee considered a joint report of the Director of Environment and Transport and the Director of Corporate Resources which provided information on the proposed 2024/25 to 2027/28 Medium Term Financial Strategy (MTFS) as it related to the Highways and Transport side of the Environment and Transport department. A copy of the report marked 'Agenda Item '8' is filed with these minutes.

The Chairman welcomed Mr. O. O'Shea CC, Cabinet Lead Member for Highways and Transport, to the meeting for this item.

Arising from discussion, the following points were noted:

Growth

(i) The financial position of the Council was both complex and sensitive. A Member commented that the growth forecasted in the report was 'frightening' and currently provided for no growth for areas such as highway maintenance in 2026/27 and 2027/28; growth being dominated by increased demand for SEN Transport.

G17 - SEN Transport

(ii) There was substantial growth in the demand for SEN Transport, but this did not appear to be reflected in the demand for Adult Social Care Transport. Members queried whether a delayed increase in number of users for Adults Social Care Transport was being forecast. The Director confirmed that the trend for SEN transport demand was not directly translating into increased transport requirements for adults. The statutory responsibility to provide SEN Transport for children to attend school did not apply to adults and given that the eligibility criteria for adult transport services was different, this was not expected. Members noted, however, that work was taking place between departments to create a better understanding on where there could be knock on effects.

(iii) A Member commented that to reduce the cost of SEN Transport, a key factor would be to understand where the demand for transport came from and where this was going (i.e. to which school). It was suggested that delays in the Education and Health Care Plan (EHCP) process prevented transport needs being met as efficiently as might otherwise be possible. Some children were not able to attend the school located closest to their home and this resulted in increased transport costs. Making late arrangements for transport also added to cost and demand pressures as it was not possible to forward plan and potentially co-ordinate journeys. The Director highlighted that the Children and Families Service had been working hard to reduce the time it took to undertake an EHCP through its Transforming SEND in Leicestershire Programme, and the situation was improving but would continue to be monitored. Members noted the Children and Families Overview and Scrutiny Committee would be considering at its next meeting progress in delivering the TSIL programme.

(vi) The Council operated an in-house transport service which was beneficial and reduced reliance on the private market. It operated a minibus fleet and deployed that as efficiently as possible. A key risk for operating an in-house service was the ability to recruit drivers. When there were a significant number of vacancies, this affected service levels and therefore having a mixed in-house and outsourced operation helped to balance and manage that risk. The position was, however, kept under constant review.

(iv) The current outdated IT system used by passenger transport services was being replaced. Whilst this would be a big programme of work that would take time to bed in, in the longer term this would help make the service more efficient. The new system had in built route optimisation software that would enable officers to plan journeys more easily and efficiently.

(v) The Director confirmed that the pressures regarding SEN and SEN Transport was a national issue. The Association of Directors of Children's Services (ADCS) and the Association of Directors of Environment, Economy, Planning and Transport (ADEPT) had recently submitted recommendations to Government on the changes and improvements needed. The Director undertook to circulate copies of those recommendations to Committee Members so that these could be endorsed.

<u>Savings</u>

<u>ET6 (SR) Ending of HS2 Programme</u>

(vi) The costs incurred by the Authority in relation to the HS2 national scheme related to the small team established to work with effected communities and HS2 Limited as the project developed. The Director confirmed that no further costs had been incurred. The savings now included in the MTFS reflected that this service was no longer needed in light of cancellation of the scheme north of Birmingham by the government.

Capital Programme

(vii) There had been a change in strategy regarding bidding for funding for infrastructure works. Government funding always required the Council to match fund any successful bid. The cost of submitting a bid could also be substantial and there was no guarantee of success. The principal that would now be applied would be that no bid would be submitted in future if it could not be clearly demonstrated that the costs and match funding could be met without the need for Council funding.

(viii) Developer contributions were agreed as part of the planning process for individual developments. It was proposed that in future, the inflation rate applied in those agreements would be subject to a calculation that would allow for rising inflation, given that some developments took years to come to fruition. At present, the inflation rate was set at the point of completion of the agreement. Rising inflation meant that the contributions agreed did not meet the subsequent costs incurred by the Council in delivering the agreed infrastructure. Members supported the change in approach and agreed that the level of contribution should reflect the costs being incurred at the point of delivery. Members noted that in future the Council would also not deliver the infrastructure until much later when contributions had been received rather than forward funding infrastructure.

(xi) It was noted that the tender for works required to Zouch bridge had closed. An evaluation of those tenders would now be undertaken following which a decision would be made on how to proceed. It was too early in the process to know whether the tenders would come in within budget.

RESOLVED:

a) That the report on the Medium Term Financial Strategy 2024/25 -2027/28 be noted;

b) That the comments now made be forwarded to the Scrutiny Commission for consideration at its meeting on 29 January 2024;

c) That the Director for Environment and Transport be requested to Committee Members copies of the recommendations raised by the Association of Directors of Children's Services (ADCS) and The Association of Directors of Environment, Economy, Planning and Transport (ADEPT) in relation to SEN Transport so that these could be endorsed.

ADULTS AND COMMUNITIES OVERVIEW AND SCRUTINY COMMITTEE

22 JANUARY 2024

MEDIUM TERM FINANCIAL STRATEGY 2024/25-2027/28

MINUTE EXTRACT

Medium Term Financial Strategy 2024/25 – 2027/28

The Committee considered a joint report of the Director of Adults and Communities and Director of Corporate Resources which provided information on the proposed 2024/25 to 2027/28 Medium Term Financial Strategy (MTFS) as it related to the Adults and Communities Department. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Chairman welcomed Mrs. C. M. Radford, Cabinet Lead Member to the meeting for the item.

Arising from discussion, the following points arose:

Proposed Revenue Budget, Other Changes and Transfers

(i) Members questioned if the revenue budget had been compiled included pay and inflation increases. The Director reported a contingency for pay and inflation was held centrally and allocated in year when the budget was set.

(ii) Members acknowledged the challenge faced with external factors outside the control of the authority affecting ever-diminishing resources.

Growth

(iii) A Member questioned the appeared lack of rehabilitation being provided to patients on discharge from hospital which had to be picked up by family members. The Director reported that the NHS had pressures which it had to address, and that there was a different discharge process post pandemic, whereby a discharge decision used to be multi-disciplinary was now an NHS decision, which had caused some problems on the over-prescription of care on discharge. It was noted the Council had worked closely with NHS colleagues over the past 12 months on the three 'Rs': Rehabilitation, Reablement, Recovery elements. Community hospitals had recently provided additional beds for rehabilitation and recovery.

(iv) There had been some changes to the way NHS out of hospital services have been commissioned. It was reported that pre-pandemic there had been a substantial amount of community nursing and therapy services that would work with people on discharge, but that service was no longer available. However, resources had been re-directed to the development of virtual wards which had been very successful, for example, working with people with respiratory and coronary conditions. The NHS were also under immense pressure with regards to waiting lists and people waiting for various forms of treatment. The Council was working with the NHS to address totality of need, but there was a £3.2million shortfall of funding as outlined at paragraph 34 in the report.

(v) Members queried the 30% year-on-year growth in older people demand and asked how the increase was calculated. It was reported that in order to forecast growth, finance worked on the number of service users and average costs, and used a national formula on the prediction of the number of people coming through as new entrants, which would usually be different each year.

(vi) Members queried the Discharge Fund increasing by 50%. It was reported that the growth figure was actual demand and costs which was then netted off with extra money from the NHS further down in the accounts. It was noted that the Discharge Fund was limited to certain periods of time.

(vii) Members noted the increase in costs over the next few years and asked if enquiries had been made of central government for additional money. The Director reported that conversations had been held with the Department for Health and Social Care and the Department for Levelling Up, Housing and Communities, neither of which had suggested there would be any more funding made available. It was further noted that much of the social care funding for 24/25 had been announced in 2022/23, a two-year settlement at that point. The Director commented that he was not aware of any additional funding coming through, though every opportunity would be explored by the Leadership of the Council.

(viii) The Director reported that considerable savings had been made in the past through the Target Operating Model, thought to be in excess of £10million, though likely to be much more when applying inflation. It was noted that this had alleviated some of the budget pressures being experienced currently.

(ix) Members noted that the increase in the National Living Wage (NLW) added significant pressure on the Council's budget, in particular for adults social care. This was because the majority of social care services were delivered on the basis of the NLW for care staff, of which there were in excess of 17,000k care staff the Council supported through contracts. The NLW was set to cost the Council over £20million, which was more than the Council could raise through the adult social care precept on Council Tax.

<u>Adult Social Care – Savings</u>

(x) A Member queried under AC16 (Eff) how the demarcation between care and non-personal care was made, and how, if the situation arose that a person would not do a job because it wasn't allocated to them would be addressed, or if a person on a lower hourly rate was being sent some distance to undertake a five-minute job. The Director confirmed that each individual circumstance would be looked at on its own merits, and that nothing would be implemented without reviewing all roles prior to any changes being made. It was noted that home care fee rates in the county compared well with other authorities, with upwards of £26 to £27 an hour being paid which, if being used for shopping, could be delivered through working with the volunteering community sector for £15 to £20 per hour, therefore some significant savings could be made, but only if not detrimental to the individual.

(xi) A Member questioned under *AC6 (Eff) – Direct Payment Commissioning Efficiencies, if surplus balances would be taken back from people. The Director reported that the review of Direct Payment packages was undertaken every year and was considered to be good housekeeping. It was noted that people were given direct payments into a bank account to pay for their own care with a contingency of at least four weeks in advance. Where people built up a surplus balance, they would be asked to return anything they had not used over what would need to cover their next four weeks of care, the sums of which could be in the thousands of pounds of public money. Members noted that largely people returned it when requested to. Over £40million had been made in Direct Payments, with around 3-4% being returned. It was further noted that if people were given the opportunity to purchase care, they would often purchase less than when Adult Social Care services arranged it, often relying on family and friends instead. Members raised a concern that, if people were not spending the money sent to them, were they receiving adequate care. Members requested that during the course of the year, a report on direct payments be brought to the committee to allay the concern that Members had made.

Communities and Wellbeing

(xii) In response to a Member's query regarding *AC19 (SR) Review Green Plaque Service, and if sponsorship had been considered, the Director reported that sponsorship had been looked at with potentially joining or integrating with some of the district council that ran similar schemes in the past. However, this had not been a viable option. Other options had also been considered before ceasing the service, the decision for which had been made in the previous financial year by full Council, though it had only recently been implemented.

Savings Under Development

Transitions Review

(xiii) Members noted the work to be undertaken over the next 12 months with Children and Family Services to look at the way people moved from Children's Services into Adult Services. The Director confirmed there would be no changes until the outcome of the review was known.

Health and Social Care Integration

Better Care Fund

(xiv) Members noted that the BCF at £82.5million for 2024/25 and £22.9million as a minimum contribution of the NHS allocation would be used to sustain adult social care services, with a further £8million of NHS funding going towards adult social care services, therefore it was vital the funding was maintained.

Other Funding Sources

(xv) Members noted the smaller grants expected for 2024/25 which were received to sustain adult social care services, the most significant of which was the market sustainability improvement fund worth over £10million.

Capital Programme

(xvi) Members noted the main source of external funding of the capital programme totalling £22million was the BCF grant programme of £19.4million passported directly through to district councils for the disabled facilities grant, leaving a balance of just under £3million of discretionary funding to be used for the social care investment programme.

Future Developments

(xvii) Members noted the disabled facility grants had brought in a substantial amount of money to the district councils, and the way the scheme had run, particularly Lightbulb, and the way the County Council worked with district councils was exemplary.

RESOLVED:

a) That the report regarding the Medium Term Financial Strategy 2024/25 to 2027/28 and the information now provided be noted;

b) That the comments now made be forwarded to the Scrutiny Commission for consideration at its meeting on 29th January 2024;

c) That the Director be requested to provide a report on Direct Payments to a future meeting of the Committee.

CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE

23 JANUARY 2024

MEDIUM TERM FINANCIAL STRATEGY 2024/25-2027/28

MINUTE EXTRACT

Medium Term Financial Strategy 2024/25 – 2027/28

The Committee considered a joint report of the Director of Children and Family Services and the Director of Corporate Resources which provided information on the proposed 2024/25 to 2027/28 Medium Term Financial Strategy (MTFS) as it related to the Children and Family Services department. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Chairman welcomed Mrs. D. Taylor CC, Lead Member for Children and Family Services, to the meeting for this item.

Service Transformation and Revenue Budget

i. The Director emphasised that increased financial controls, which the Council had introduced around recruitment, procurement and non-essential spend in order to address the Council's funding gap, were in addition to the financial controls the Department had in place for a number of years. Members noted that all financial controls would be reviewed on an ongoing basis.

Growth

ii. Members noted that 135 individuals over the age of 18 were being cared for by the Council and that this was funded through the Unaccompanied Asylum-Seeking Children (UASC) budget. The Council supported these individuals as they were classed as care leavers. Some of these young people had not yet had their asylum claim processed by the Government, and therefore could not work, claim benefits, or live independently. The Cabinet Lead Member for Children and Families had written to the Secretary of State to seek a resolution as the situation would continue to negatively impact lives and contribute to the financial growth pressure in relation to the UASC budget.

Savings

iii. The Director confirmed that 23 in-house placements would be created over the next five years through the Children's Innovation Partnership (CIP) with

Barnardo’s which it was anticipated would reduce reliance on the private sector The aim was to build homes in Leicestershire so that children and young people in care could continue to live within their communities.

iv. In response to a question relating to whether CIP would be expanded to further reduce reliance on the private sector, if the expected savings were made, the Director explained that CIP would continually review the roll-out of homes in order to reduce costs and support children with complex needs through in-house placement provision.

v. In response to concern relating to the demand for tribunals within the SEND Service, the Director explained that a saving of £0.1m in 2025/26, rising to £0.4m by 2027/28, had been identified as part of the Transforming SEND and Inclusion in Leicestershire (TSIL) programme, which was likely to result in longer term reduction in demand. The TSIL programme would aim for children and young people to be placed within the correct provision at the correct time, and for a greater level of engagement with parents, carers and schools, which was anticipated to reduce the number of tribunals and as a result would have a reduced cost to the Service.

vi. The Director assured members that the Department had undertaken analysis on tribunals and that in the majority of cases a tribunal had been requested due to parents or carers having not agreed with a decision the Council had made relating to specialist provision or an EHCP (Education, Health and Care Plan). Members noted that the Council was responsible for its own costs associated with the tribunal process and that parents would be responsible for the cost of seeking independent advice. The Director acknowledged that the Department needed to find ways to work with parents differently to avoid tribunals, including earlier engagement, improved mediation and conflict resolution. Members noted that delays experienced within the system would result in complaints received by the Service, rather than leading to tribunal.

vii. A member suggested that despite resource challenges and the national shortage in the availability of Educational Psychologists, that there would still be a requirement for supporting parents and carers, as well as schools, with thorough and accurate assessments for EHCPs. The Director acknowledged this point, and assured members that the Department would continue to work with parents, carers and schools and focus on allocating the most appropriate level of support to children and young people at the correct time.

<u>High Needs</u>

viii. Members noted that there was an error in the table on page 30 of the report. The Savings Achieved at Annual Reviews in 2027/28 should have read -380 (£,000).

ix. A concern was raised regarding the impact that anticipated savings from a reduction in the number of early years specialist starts would have on children. In response, the Director assured members that, where an assessment had identified that a child required specialist provision, they would be placed within a specialist setting to meet their need. The savings identified related to children where an assessment had identified that they could have their needs best met elsewhere within the system, for example in a mainstream setting. Members noted that diagnostic work conducted as part of the TSIL programme had identified a number of cases where children could have been placed in a different setting or remained in mainstream if earlier support had been provided. The Director assured members that children currently placed within provision would not be moved out of provision that was currently meeting their needs, and that the changes would apply to newly assessed children to ensure they were placed in settings that could meet their needs.

x. Concern was raised that a reduction in the number of non-early years specialist starts may not deliver the anticipated savings and could place pressure on mainstream settings. The Director assured members that the Department would ensure children were placed in the right setting to meet their needs and that costs would be avoided by not placing children in provision that was not necessary to meet their identified needs. Diagnostic work conducted by the Department, in partnership with Newton Europe, had identified that some children within specialist provision could have had their needs met within a mainstream setting. The Director emphasised that the work taking place was about getting it right for children at the earliest possible time and ensuring children would be placed in settings that met the needs identified in the EHCP. Members were assured that the placement budget would continue to be utilised to support children according to their needs. It was anticipated that savings would be made through ensuring each child was receiving the right provision to meet their needs.

xi. Members noted that following the expected end to the Statutory Accounts Override, in March 2026, the budget deficit would no longer be ringfenced from the Council’s core budget.

<u>Capital Programme</u>

xii. Members noted the information provided at paragraphs 103 to 111 in the report.

RESOLVED:

a) That the report regarding the Medium Term Financial Strategy 2024/25 – 2027/28 and information now provided be noted;

b) That the comments now made be forwarded to the Scrutiny Commission for consideration at its meeting on 29 January 2024.

ENVIRONMENT AND CLIMATE CHANGE OVERVIEW AND SCRUTINY COMMITTEE

24 JANUARY 2024

MEDIUM TERM FINANCIAL STRATEGY 2024/25-2027/28

MINUTE EXTRACT

Medium Term Financial Strategy 2024/25 – 2027/28

The Committee considered a joint report of the Director of Environment and Transport and the Director of Corporate Resources which provided information on the proposed 2024/25 to 2027/28 Medium Term Financial Strategy (MTFS) as it related to the Environment and Waste Management Services within the Council's Environment and Transport Department. The report also sought the Committee's views on proposals to recommend to the Cabinet that the Council's net zero target dates be revised from 2030 to 2035 for the Council's own emissions, and from 2045 to 2050 for the County's emissions, in light of the Council's wider financial position. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

The Chairman welcomed Mr. B. L. Pain CC, Cabinet Lead Member for the Environment and the Green Agenda and Mr. N. J. Rushton CC, Leader of the Council to the meeting for this and other items.

In presenting the report, the Director explained that the environment aspects of the MTFS related to the Environment and Transport Department only and not the wider environmental activity across the Council.

Arising from discussion, the following points were raised:

Revenue Budget

i. The premium paid as part of the package to recruit and retain HGV drivers had helped the Council to be more competitive in the marketplace, although it could not compete with the attractive offers made by the bigger private sector operators in the area. Staffing overall was near full complement with the use of the premia and agency staff, but in such a competitive market, it was a challenge. Overall, the service was coping from a driver perspective by paying the premium and by using agency staff. However, there was a shortage of managers and frontline staff. Overall, 20% of vacancies were currently filled by agency staff. The Department preferred to keep the level of agency staff to 10%. Other amendments had been made to the recruitment package, such as changing contractual hours to a four day on/four day off contract, which reflected what was offered in the wider marketplace and enabled the Council to compete.

ii. Regarding the free disposal of DIY waste following the change in legislation from 1 January 2024, Members expressed concern about the volume that households could now potentially deposit at RHWS which would increase the Council's costs and were informed that households were restricted to four visits in a four-week period.

<u>Growth</u>

iii. Pre-existing arrangements were in place to manage the disposal of asbestos at certain Council Recycling and Household Waste Sites (RHWS), and details were available on the Council's website for the public to follow. This was not charged for at the same rates but had been included in the new process now in place linked to the legislation for the disposal of DIY waste. All items known to include asbestos, including artex, were covered within these arrangements with a need to have a permit for removal and disposal for health and safety reasons.

<u>Savings/Savings under Development</u>

iv. The income from the sale of items from the RHWS for reuse was included under ET9 'service approach', which was a broad description in the budget and included savings linked to reuse of items. The Director agreed to amend the descriptor for clarity.

v. Members expressed concern that income from the disposal of trade waste could be reduced if traders used the new legislation for the disposal of DIY at RHWS to dispose of their waste. The Director assured members that trade waste services were only available at Whetstone Transfer Station and that it had a unique trade point in the market. The RHWS across the county did not accept trade waste at any of the sites. RHWS staff monitored people disposing of waste, so could identify traders using the wrong facilities. Additionally, Automatic Number Plate Recognition (ANPR) was used to provide vehicle count data and monitor service usage levels. A report would be presented to the Committee in March on the removal of charges for DIY waste and related work.

<u>Other Factors Influencing MTFS Delivery/Other Funding Sources</u>

vi. A member expressed concern that the report proposed an extension to the net zero target dates by five years and stated that achieving the original target dates should be the Council's top priority. Other members added that, whilst they understood the concerns expressed, they recognised the importance of making savings to balance service delivery and the needs of residents within the resource envelope available to the Council.

vii. Mr. B. L. Pain CC, Cabinet Lead Member for the Environment and the Green Agenda, highlighted the many achievements made to date in working towards the Council's net zero targets, He added, however, that despite these many achievements, it was recognised that the Council was off track in achieving the net zero targets overall. In light of the financial challenge facing the

Council there was a need to extend the Council's targets to be in line with national targets. Mr. N. J. Rushton CC highlighted that the Council had achieved a great deal in working towards the Council's net zero targets. However, with a growth bid in this area of £475,000, which was not possible to meet, the targets needed to be revised. He added that, if the growth bid was met, then the money would need to be identified from another budget within the Council which would then be reduced. The Director of Corporate Resources clarified that the £475,000 related to the cost of the team working on the environmental agenda and not the cost to the Council of conversion to net zero, which could not be costed but was way beyond the Council's means and could not be met without Government legislation and funding.

viii. Members were assured that a report on the reprioritisation of activity under the net zero targets would be brought back to the Committee, before being presented to the Cabinet and Council.

ix. The Emissions Trading Scheme was a form of taxation on the energy from waste (EFW) sector, following on from the Government's successful use of landfill taxes to reduce the amount of waste sent to landfill. More detail was expected from the Government, but it was likely that the increased taxation would be passed on from the EFW treatment facilities to the County Council via an increase in the gate fee, which is a fee charged by the treatment facilities to accept waste from waste disposal authorities.

x. The Committee commended staff for the range of activity being undertaken with waste recycling.

Capital Programme

xi. Regarding the expenditure detailed in paragraph 35 table 3 for lighting, this related to the improvements to the lighting provision within RHWS and not payment for lighting/electricity use which was funded out of the revenue budget.

xii. A Member expressed concern about the increase in traffic and the need for improvements to the road and entrance to the Kibworth RHWS should the proposal to close the Market Harborough RHWS be approved. The Director assured members that a traffic assessment had been completed for all RHWS as part of consideration of the proposals. This showed that the entrance to the Kibworth site could cope with the additional traffic flow and that there were no additional measures needed.

RESOLVED:

a) That the report regarding the Medium Term Financial Strategy 2024/25 – 2027/28 (MTFS) and information now provided be noted;

b) That the comments now made regarding the MTFS, including proposals to revise the Council's net zero target dates, be forwarded to the Scrutiny Commission for consideration at its meeting on 29 January 2024.

Leicestershire County Council

SCRUTINY COMMISSION

29 JANUARY 2024

MEDIUM TERM FINANCIAL STRATEGY 2024/25-2027/28

MINUTE EXTRACT

Medium Term Financial Strategy 2024/25 – 2027/28

The Commission considered a report of the Director of Corporate Resources which provided information on the proposed 2024/25 – 2027/28 Medium Term Financial Strategy (MTFS) as it related to Corporate and Central items. The report also provided an update on changes to funding and other issues arising since the publication of the draft MTFS and provided details of a number of strategies and policies related to the MTFS. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Chairman welcomed the Leader of the Council, Mr N. J. Rushton CC, and Cabinet Lead Member for Resources, Mr L. Breckon CC, to the meeting for this item.

In presenting the report the Director commented that this was the hardest budget he had ever had to present so far and that unfortunately the forecast was that the pressures on the County Council and local government generally would likely continue for the foreseeable future. In the last three years, the Council had been able to balance at least two years of the MTFS when this had been presented for approval. Unfortunately, this had not been possible this year and for the first time, the budget next year could only be balanced with the use of reserves. Members noted that for 2025/26 the Council had a £33m funding gap and urgent action was therefore needed to address this.

The Director reported that since the report had been circulated, the Government had announced an additional £600m for local government, £500m of which would be to support social care services. It was not yet clear how much would be specifically allocated to Leicestershire, but this would be confirmed following the final local government finance settlement which was expected in early February. Members noted that whilst the additional money was welcomed, this would simply be used to reduce the Council's current shortfall.

Arising from discussion, the following points arose:

Corporate and Central Items

(i) The Council budget for income from ESPO was approximately £800,000 for the current year, with a stretch target of £900,000 for 2024/25. It was on track to meet ese targets.

(ii) The contingency for inflation and national living wage was expected to be used each year. This was currently an estimate and so was held centrally until the pay award, and other factors had been confirmed. It would then be allocated to departments as appropriate. Members noted that the contingency was reviewed and reset each year. Any amount not spent would be released to departments in year.

Earmarked Reserves

(iii) Concern was raised regarding the cumulative deficit of £112m, forecast for the final year of the MTFS, in the dedicated schools grant (DSG) High Needs budget. It was noted that the Government had implemented a statutory override but that this was temporary until 2026. It was not yet clear whether this would be extended. Members noted that this was a national issue and that there was some uncertainty as to how the Government intended to deal with this. At present the deficit was held off the Council's balance sheet but without the statutory override in place, it would be a liability that would need to be paid by the Council.

(iv) The Director reported that much was being done within the Children and Family Services Department to address the rise in demand and costs associated with SEN Services. Good progress was being made and a targeted reduction in annual spend of £10m had been set. However, the DSG would still not meet the level of spend in this area which was entirely demand led.

(v) Some members commented that this issue had been considered by the Council's Corporate Governance Committee the previous week as part of its consideration of the external audit of the Council's accounts. The external auditors had highlighted this as the biggest risk facing the Council but had recognised that this was not an issue unique to Leicestershire and had assessed the County Council as being in a much stronger financial position than most others in managing this. A member commented that councils simply didn't have the resources to address this deficit which nationally was in the region of £4.6billion given its limited ability to raise additional income through council tax and suggested that this was therefore a matter for the Government.

Capital Programme

(vi) The Council would be receiving additional funding following cancellation of Phase 2b of HS2. This would largely be for additional highway maintenance works. The amounts would be relatively small in the first two years (approximately £2m and £2.5m) but this was expected to increase thereafter. The actual allocations to be received in future years had not yet been confirmed by the Government.

(vii) A Member commented that the Leicester City Mayor's unwillingness to support a level 3 devolution deal for Leicester and Leicestershire meant that the people of Leicestershire were losing out on significant infrastructure funding. The combined county authority involving Nottingham City, Nottingham County, Derby City and Derbyshire County Councils (D2N2) would receive £1.1 billion in funding over the next 10 years *[subsequently confirmed to be 30 years].* Not participating meant that Leicestershire would not have access to that funding or have the ability to bid for other funding made available by Government for combined authorities in year although it would be difficult to assess the actual level of lost funding

(viii) The Leader agreed that the Council had been disadvantaged by not securing a level 3 devolution deal. The legislation required Leicester City and Leicestershire County to be considered as a functional economic area and so the County Council could not secure such a deal without the support of the City Council Mayor. The possibility of joining the D2N2 deal at a later date was mentioned. The Leader pointed out that, even if that were to be agreed, it would come with risk as the County Council would hold a minority vote. Therefore, all that was currently available was to secure a level 2 deal which still subject to the agreement of the City Council and Rutland Council.

(ix) A Member questioned how the Council strategically planned for local infrastructure, particularly schools and SEND provision which were sometimes located some considerable distance from where people lived. The Director confirmed that a corporate group had been established some time ago to plan for all types of infrastructure across the County which was needed to meet identified growth. This included early discussions with district councils as they developed their local plans to ensure these were mindful of the costs of delivering such infrastructure. Members noted that SEND provision was subject to some specific considerations including whether there were adequate numbers of children with similar needs living in a particular area that would mean building provision in that area would be viable.

(x) Officers through the Children's Social Care Investment Programme were looking to increase inhouse provision of residential homes. This would not meet all demand and some outsourcing would always be necessary to meet the varied and complex needs of some children. The commissioning approach within the Children and Family Services department was also therefore being improved and strengthened.

(xi) The Council developed area strategies to collect contributions from multiple developers for specific areas for the range of infrastructure requirements required. The Director confirmed that this was being developed in coordination with district councils and was considered a key factor in ensuring appropriate section 106 funding was secured to meet the costs of delivery.

(xii) It was recognised that a significant issue for the County Council was the viability of housing and the push by developers to seek to reduce section 106 developer contributions. The Leader commented that the Council no longer had sufficient capital resources to build infrastructure and so it would in future be reliant on section 106 funding coming in before works could start. This would unfortunately mean that the use of existing assets would be stretched as forward funding and the early delivery of schemes was no longer financially possible. A Member suggested that a briefing on the development of area strategies would be of benefit for all members.

Budget Consultation

(xiii) Members noted that 450 responses to the consultation had been received and challenged whether this could be considered representative of the residents of Leicestershire. It was noted that a light touch consultation had been undertaken and a more detailed exercise was held every four years which provided more detailed feedback. The responses received, although few, were in line with comments previously received.

RESOLVED:

(a) That the comments now made be submitted to the Cabinet for consideration at its meeting on 9th February 2024;

(b) That an all member briefing be arranged regarding the development of area strategies to support future infrastructure planning.

Medium Term Financial Strategy 2023/24 to 2026/27 - Chief Executive's Department.

The Commission considered a joint report of the Chief Executive and Director of Corporate Resources which provided information on the proposed 2024/25 – 2027/28 Medium Term Financial Strategy (MTFS) as it related to the Chief Executive's Department. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

In addition to the Leader and Lead Member for Resources, the Chairman welcomed the Lead Member for Regulatory Services, Mrs D. Taylor CC and the Lead Member Community and Staff Relations, Mrs P. Posnett CC, to the meeting.

Arising from discussion and questions, the following points arose:

Proposed Revenue Budget

(i) Members noted that Strategy and Business Intelligence covered a broad area of work including business intelligence, the Communities and Policy teams, the Resilience service (the County Council acting as host to the

Leicester, Leicestershire and Rutland Local Resilience Forum and Partnership), and the Growth Service. These helped to secure funding, supported the delivery of large scale projects, such as Broadband rollout, and worked with partners and the voluntary sector. A Member commented that these were not statutory services and this section generated the highest cost for the Department but was not expected in the current MTFS to deliver any savings. It was suggested that an update on this service area would be beneficial to better understand the breadth of work delivered.

(ii) The Council's contribution to the Leicester and Leicestershire Place Marketing Team was included within the Strategy and Business Intelligence budget. This amounted to approximately £60,000 per year as well as two seconded officers. A Member commented that tangible examples of what this partnership delivered would be helpful. It was noted that these would be provided in the next annual report on the performance of the organisation as had been previously requested by the Commission.

(iii) In response to questions raised, the Director confirmed that the Department currently employed approximately 250 FTE staff excluding registrars on zero hour contracts.

(iv) Members welcomed the work of the Trading Standards service and noted that, in light of the Government's recent announcement to ban the sale of disposable vapes, the work of the service would increase further. Some additional funding had been allocated to enable the service, in conjunction with East Midlands Airport, to tackle the import of such products. However, members noted that the service was already stretched and had limited staff to cover all areas of enforcement. A triage approach would therefore be adopted to prioritise those areas that gave rise to the most risk.

(v) It was noted that Trading Standards was responsible for food standards whilst district councils were responsible for food hygiene. The service worked closely with district council environmental health officers given there was some cross over in this work, particularly when coordinating inspections. It also worked closely with other partners, such as the police, in tackling doorstep crime and rogue traders, and East Midlands Airport border force and HMRC to tackle issues such as illicit tabaco.

(vi) It was noted that the recruitment of solicitors continued to be an issue, particularly in areas such adult and children's social care, with some posts having to be readvertised a number of times. Case levels had also significantly increased. Members recognised the need to ensure legal cases were continuously being managed and therefore any gap in service had to be temporarily filled through the use of locums or by outsourcing work to the private sector, both of which were costly to the Council. The Director confirmed that the corporate incentive programme had been used to enhance salaries to make the positions advertised more competitive. This had resulted in some improvements.

(vii) The new Biodiversity Net Gain Regulations would come into force in April 2024. The County Council would be the lead local authority and was therefore in the process of reviewing the limited guidance currently available and establishing an advisory service. This would be a chargeable service and no costs were therefore accounted for within the MTFS. Over time it was expected this service could generate an income for the Council.

RESOLVED:

That the comments now made by the Commission be submitted to the Cabinet for consideration at its meeting on 9th February 2024.

Medium Term Financial Strategy 2023/24 to 2026/27 - Corporate Resources

The Commission considered a report of the Director of Corporate Resources which provided information on the proposed 2024/25 – 2027/28 MTFS as it related to the Corporate Resources Department. A copy of the report marked ‘Agenda Item 10’ is filed with these minutes.

The Chairman welcomed the Leader and the Lead Member for Resources who remained present for this item.

Arising from discussion and questions, the following points arose:

Savings

(i) A Member raised challenged the scale of the savings required to be made by the Department given that some of the services it provided were discretionary, not statutory. The Director commented that the overall budget for the service was £30m, and an ongoing saving of £3m had been identified which was therefore significant given that this would be a year-on-year reduction in spend of 10%. The identification of further savings was also being considered for future years.

(ii) Ways of Working – A Member questioned if the planned capital investment of more than £5.5m on the Ways of Working programme was justifiable against a forecasted saving of £70,000 in 2024/25 rising to £780,000 from 2025/26 onwards. The Director commented that this was the additional saving from 2024/25 and that savings had also been made in previous years. The current MTFS showed what was a short term capital investment to support this saving. However, this would be balanced against the generation of an increasing, long term revenue income stream, as well as long term reduced costs to the Council. Members noted that most of the investment costs included within the MTFS related to improved IT infrastructure which would be necessary to support improved service delivery. Improvements in IT related to updating staff laptops, which had a natural life cycle, and improvements to the network infrastructure.

(iii) Members noted that the Programme delivered a range of benefits in addition to the financial benefits outlined. These included increased productivity of staff, the improved recruitment and retention of staff, and a reduction in carbon and overall operating costs. It was noted that an update on the Ways of Working Programme would be provided to the Commission in April.

(iv) The models of IT were changing and there was a gradual move from capital investment to a revenue cost as more was hosted off-site with third party providers. Members noted that a significant amount of spend was now targeted towards security. The Director undertook to address this as part of the Ways of Working update to be provided in April.

(v) A Member questioned what options had been assessed as part of the business case for the Programme and whether there were any opportunity costs being lost in retaining the current office space. The Director commented that a balance had been struck between the capital value of the County Hall campus against the cost and disruption to services of relocating staff to a new site.

(vi) Review of mobile phones – A tender exercise had been undertaken 3 to 4 years ago which had significantly reduced the cost of mobile phones used by staff. The use of handsets had increased during the covid pandemic (from approximately 2,300 to over 3,000). Efforts were now being made to reduce those numbers where possible. However, it had to be acknowledged that working arrangements had changed during that time, particularly in the field of social care, and staff were using devices more regularly to engage differently with service uses including, for example, by using WhatsApp. This was proving beneficial and so the savings had to be balanced against a new service need.

(vii) Union Representatives – Some Members challenged why the Council funded employee union representatives and provided them with facilities within County Hall, suggesting that this should be paid for out of union members subscriptions, not council funding. The Director reported that the Council currently funded 4 full time union representatives at a cost of approximately £160,000/£170,000 pa. They were also given use of reasonable facilities within the building. This was common for local authorities of this size and complexity.

(viii) Given the degree of service transformation that had taken place across the Authority over the last decade, it was suggested that the input of union representatives had been valuable, and they played an important part in ensuring good employee relations, especially during significant periods of change. It was noted that approximately 30% of staff were members of a recognised trade union. However, when reaching collective agreements with trade unions this benefited all staff and the reach of union representatives therefore went beyond the 30% who were registered members.

(ix) The Leader commented that the amount spent to fund trade union representatives was good value. Relations with all trade unions had been good and they provided a useful channel through which to communicate, negotiate and engage with staff. Given the concerns now raised, however, the Leader understood to consider the matter.

[At this point in the meeting Mrs A. Hack CC declared an Other Registerable Interest as a GMB union member. Mr R. J. Richardson also declared he was a union member.]

(x) Traded Services - A Member commented that the Council's commercial traded services were costing the Authority a significant amount but generating very little in revenue return. It was questioned whether the Council could efficiently run services of this nature. Members noted that the school meal service had generated a good income in the past for the Council but had been hard hit by the covid pandemic and subsequently affected by food inflation and increases in the national living wage. The Director highlighted that the services did have a dual purpose and were not entirely commercial. Whilst required to generate an income, they also provided wider benefits, school food and outdoor activities at Beaumanor being examples.

(xi) A Member challenged the losses made by the school meal service and questioned what action had been taken to rectify contracts which had not accounted for the significant rise in food inflation costs. It was noted that an update on the performance of the service was the subject of a separate report elsewhere on the agenda for this meeting.

<u>Capital</u>

(xii) ICT – The investment allocated was largely to address end of life replacement, capacity growth and upgrades. This was not an investment to generate future savings, but necessary to improve efficient ways of working and ensure systems were robust and secure.

(xiii) Property Services – A Member questioned what challenge took place when considering whether or not to carry out works to a property and if the sale of that property was also considered. It was noted that new windows at a cost of £85,000 were to be installed at the Basset Centre in Wigston. The Director provided assurance that robust reviews were undertaken of every property before works were carried out. In this instance, the property was not empty but used as a locality office by the registrar and social workers and also housed the Memphis Centre. The works had therefore been considered appropriate in respect of this property.

RESOLVED:

That the comments now made be submitted to the Cabinet at its meeting on 9th February 2024 for consideration

Medium Term Financial Strategy 2023/24 to 2026/27 - Consideration of Responses from Overview and Scrutiny Committees

The Commission considered extracts from the minutes of the Overview and Scrutiny Committee meetings held to consider the Medium Term Financial Strategy for 2024/25 – 2027/28 so far as this related to the County Council departments. A copy of the minutes extracts is filed with these minutes.

The Lead Member for Resources reiterated the financial pressures faced but emphasised that the Council had taken prudent decisions year on year and it was therefore in a strong position compared to many. Scrutiny had played a key role in challenging these difficult decisions which provided a good level of assurance. The Lead Member emphasised that the Director of Corporate Resources as the Council's section 151 officer was able to give assurance that the budget estimates were robust and earmarked reserves adequate. The Lead Member further thanked officers and the Chairs of each scrutiny committee for their input into the process which had been in depth and valuable.

The Chairman and the Chairs of the scrutiny committees thanked officers that had worked well under tremendous pressure and had continued to deliver change in the face of considerable financial constraints.

RESOLVED:

That the comments now made be submitted to the Cabinet for consideration at its meeting on 9th February 2024.

Draft Revised Investing in Leicestershire Programme Portfolio Management Strategy 2024 - 2028

The Commission considered a report of the Director of Corporate Resources which sought members views on the revised Investing in Leicestershire Programme Portfolio Management Strategy 2024-28 which set out the proposed approach to future asset management and investment. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

The Chairman welcomed Mr Phillip Pearson, of Hymans Robertson, to the meeting. Mr Pearson provided a presentation on the external review of the Council's property portfolio performance, and a copy of the slides is attached to these minutes.

Arising from discussion, the following points arose:

(i) A member raised concern regarding the underperformance of the Council's rural estate which despite good capital appreciation, showed a net income of -1.7%. Mr Pearson commented that rural property had an important part to play in the Council's portfolio. Hymans Robertson had recommended maintaining the current allocation on the basis this was proportionate for Council's portfolio and it aligned with the non-financial aims of the Strategy. However, it was important that every property in the portfolio contributed and where this was no longer the case, a plan would be put in place to address this, which might result in a disposal.

(ii) The Lead Member for Resources highlighted that a lot of the Council's rural estate fell within district council emerging local plans and had been allocated for projects such as the Melton Mowbray Distributor road.

(iii) In response to a question, the Director advised that the Snibston Café did not fall within the IILP Portfolio but formed part of the Council's Country Parks estate.

(iv) Carrying out repairs or refurbishments to properties could be costly. Consideration would therefore be given to whether, once those works had been carried out, a property would likely generate an acceptable financial return or have an otherwise positive impact in line with the Strategy's aims. If this was not the case, the property might simply be sold.

(v) Costs relating to the sale of a property or the costs to repair, maintain or refurbish, would be reflected in any business case put forward when considering whether to carry out works. This ensured all options were properly costed and assessed before a decision was taken on the appropriate way forward.

(vi) Selling a property placed significant demand on officer time. The Council therefore operated a rolling programme of asset reviews to ensure the whole portfolio was reviewed and actions taken over a long term to spread the costs and resource demand.

(vii) A Member challenged what social benefits were being delivered by the Programme given that most investments within it were of a commercial nature. It was noted that the Council would not seek to compete with the private sector but looked to maximise the use of its existing assets to help generate economic growth (its development at Leaders Farm being an example), particularly where external funding was available (for example, Airfield Farm had benefited from European Development Funding). In turn it was hoped that such economic investment would then bring about wider social benefits.

(viii) The Programme was reaching its capital investment limit. Consideration was therefore being given to increasing the focus on the existing estate, including some invest to save projects. A key area of focus was, for example, the purchase of residential properties to support adult and children's social care accommodation needs, although this fell under the Social Care Improvement Programme (SCIP).

(ix) In response to questions raised the Director confirmed that the Programme consisted of a mix of treasury management and directly owned property investments, and a significant amount of the property included had been owned by the Council for a number of years before the Programme had been established. These investments had been grouped together within the Programme to provide a balanced and diverse portfolio which helped to manage risk.

(x) The Director confirmed that the Lutterworth East SDA would be a multiyear development and the Council had yet to decide how go move this forward given the delays caused by the Covid-19 pandemic and subsequent inflation and cost increases. Options were currently being looked at and a proposal would be put forward over the next few months for members consideration.

RESOLVED:

(a) That the presentation provided on behalf of Hymans Robertson regarding its external review of the Council's Investing in Leicestershire Programme be noted and welcomed;

(b) That the comments now made be submitted to the Cabinet for consideration at its meeting on 9th February 2024.

REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

A. PROPOSED CHANGES TO THE CONTRACT PROCEDURE RULES

Introduction

1. This report concerns a review of the operation of the Contract Procedure Rules and recommended revisions to those rules.

Background

2. Article 15 of the County Council's Constitution gives the Chief Executive a duty to monitor and review the operation of the Constitution to ensure the aims and principles of the Constitution are given full effect.

3. Rule 8 (Annual Reporting) of the Constitution's Contract Procedure Rules stipulates that the Director of Corporate Resources, in consultation with the Director of Law and Governance, shall at least once in each financial year submit a report to the Corporate Governance Committee in relation to the operation of these Rules. This includes amongst other things any departures from or proposed revisions to the Rules and/or changes required to accommodate the requirements of UK and EU procurement law as may be necessary from time to time.

4. The Constitution requires that changes to these Rules must be approved by the Council after consideration of recommendations of the Corporate Governance Committee.

Proposed Revisions to the Rules

5. It is proposed that a number of changes are made to the Council's Contract Procedure Rules, as follows

   a. Amendments to Rule 6 and Rule 30 for exceptions, extensions, and modifications– providing more clarity and increased authorisation.
   b. Addition of the scheme of delegation for contract signing.
   c. Addition of the Provider Selection Regime.

6. The Government has introduced new legislation in 2024 for the UK regarding procurement – Transforming Procurement which replaces the PCR 2015. A further report will be brought to the Corporate Government Committee and Council with proposals to bring the Contract Procedure Rules in line with this legislation. This is likely to be May 2024.

7. The proposed revisions to the Rules are set out in Appendix A to this report. The revisions to the Rules are supported by the Director of Law and Governance and the Director of Corporate Resources. The Corporate Governance Committee considered this matter at its meeting on 26th January 2024 and its recommendation is set out in the motion which appears below.

8. Should the County Council approve the draft revised Contract Procedure Rules the new Rules will come into force immediately and will be published on the Council's internet and intranet sites and communicated to all relevant managers and staff within the Council as appropriate

Equality Implications

9. The Rules ensure that all potential suppliers and suppliers receive equal treatment when bidding for contracts.

Human Rights Implications

10. The Rules ensure that all procurements consider human right implications before commencing. There are no human rights implications for this report.

(Motion to be moved: -

That the proposed amendments to the Contract Procedure Rules, set out in Appendix A to the report of the Corporate Governance Committee, be approved.)

26 January 2024

Mr T. Barkley
Chairman of the Corporate Governance Committee

Background Papers

Joint Report of the Director of Corporate Resources and the Director of Law and Governance to the meeting of the Corporate Governance Committee on 26th January 2024 – Contract Procedure Rules Update.

The Constitution of Leicestershire County Council

Appendix

Appendix A – Proposed Amendments to Contract Procedure Rules.

Appendix A

Proposed Amendments to the Contract Procedure Rules

The table below details the amendments, additions, and deletions to the Contract Procedure Rules Part 4G of the Constitution.

Rule	Amendment
Rule 5- General Requirements	**Amendments in relation to the updates to the Councils Strategic plan:** Amend all references to the Councils Strategic Plan from 2018- 2022 to 2022-2026. **Addition in relation to the Provider Selection Regime:** (c)(d) Where the services are required to be procured under The Health Care Services (Provider Selection Regime) Regulations 2023, Social Value will need to be considered regardless of the estimated contract value. **Amendment in relation to the Provider Selection regime, amendment highlighted in blue:** e)(d) Procedures set out in the relevant EU Retained law, Acts of Parliament and UK legislation (including for the avoidance of doubt the Public Contracts Regulations 2015, the Concession Contracts Regulations 2016, the Health Care Services (Provider Selection Regime) Regulations 2023 and where applicable the Public Contracts Regulations 2006) must be complied with at all times.
Rule 6 – Exceptions	A re write of this Rule has been completed. The rule has also been written within a table to be clear for each exception type what the rule requires. Addition of increased control, including approvals for all exceptions over £100,000 to require approval from the Assistant Director of Finance. Full details below in Annex 1.
Rule 8 – Annual Reporting	**Addition in relation to the Provider Selection Regime:** An annual summary of the number of contracts awarded using the Provider Selection Regime, in the year to which the summary relates where Direct Award Process A, Direct Award Process B, Direct Award Process C, the Most Suitable Provider Process or the Competitive Process was followed.

Rule 11- Procurement Exercise	**Addition in relation to the Provider Selection Regime:** (b)(c) In the case of a contract or framework agreement for healthcare services (as defined by Schedule 1 of the Health Care Services (Provider Selection Regime) Regulations 2023), the Procuring Officer must seek the advice of a Commercial Specialist on a suitable Process to follow under these Regulations. If Direct Award Process A, B, C or The Most Suitable Provider Process are considered the most appropriate route to market, approval must be sought from the Head of Procurement & Supply Chain Management. **Amendments to the thresholds:** Goods and services – from £177,897 to £179,087 before VAT Works – from £4,447,447 to £4,477,175 before VAT
Rule 13- Evaluation and Award	**Addition in relation to the Provider Selection Regime:** (b) When procuring Healthcare services, the five Key Criteria as stated in the Health Care Services (Provider Selection Regime) Regulations 2023 must all be evaluated. These are: • Quality and innovation • Value • Integration, collaboration, and service sustainability • Improving access, reducing health inequalities, and facilitating choice • Social value
Rule 24 – Notification of Contract Award.	**Addition in relation to the Provider Selection Regime:** (g) In the case of the Provider Selection Regime the relevant notification to awards must be adhered to dependent on the route to market deemed most appropriate.
Rule 25 – Form of Contract	**Addition:** (d) Every contract must be signed (by electronic means or otherwise) by the appropriate Officer as defined in the scheme of delegation table below. (e) The Director of Law and Governance has designated the following officers to sign contracts, in accordance with Article 14.04(a):

<table>
<tr>
<td></td>
<td>
<table>
<tr><td colspan="2">Contract Value (including possible extensions)</td><td>Designated Officer authorised to sign the contract</td></tr>
<tr><td>From £0</td><td>Up to £24,999</td><td>Team Manager (Grade 12-14)</td></tr>
<tr><td>From £25,000</td><td>Up to £175,000</td><td>Head of Service (Grade 15-17)</td></tr>
<tr><td>From £175,001</td><td>Up to £499,999</td><td>Assistant Director (Grade 17-19)</td></tr>
<tr><td colspan="2">From £500,000 and above</td><td>Director (Grade 18 and above)</td></tr>
</table>
</td>
</tr>
<tr>
<td>Rule 28 – Framework Agreements</td>
<td>Amendment to delete where highlighted in red and add where in blue:
(d) Additional suppliers may only be added to a Framework Agreement or Dynamic Purchasing System throughout its duration in circumstances where:
(i) the Estimated Value is below the UK Threshold; or
(ii) the services tendered are Light-Touch Services to which the full regime of the Public Contracts Regulations 2015 is not considered to apply; or
(iii) the services tendered are Healthcare services to which the Health Care Services (Provider Selection Regime) Regulations 2023 apply:
(iii)(iv) and in either whichever case ((i) (ii) or (iii) above) provided that the Invitation to Tender states:
(aa) that new suppliers may be added to the Framework Agreement; and
(bb) how many suppliers can apply to be added to the Framework Agreement; and
(cc) that the same evaluation criteria and award methodology are applied when deciding whether to award a place on the Framework Agreement to new suppliers as was applied at the time of the original award.</td>
</tr>
<tr>
<td>Rule 30 - Contract Modifications and Extensions</td>
<td>A re write of this Rule has been completed to convert the rule into a table to be clear for each modification or extension type what the rule requires.</td>
</tr>
</table>

	Addition of increased control, including approvals for all modifications over £100,000 to require approval from the Assistant Director of Finance. Full details below in Annex 2.
Schedule 1 - Interpretation	**Amendment in relation to the Provider Selection regime, amendment highlighted in blue:** 25. “Framework Agreement" is a general term for agreements with suppliers which set out terms and conditions under which specific purchases (call-offs) can be made throughout the term of the agreement. The Framework Agreement may, itself, be a contract to which the EU Retained procurement directives, Public Contracts Regulations 2015 or the Health Care Services (Provider Selection Regime) Regulations 2023 apply. **Addition in relation to the Provider Selection Regime:** 37. “Provider Selection Regime” means a set of rules for procuring health care services in England by organisations termed relevant authorities The Provider Selection Regime (PSR) came into force on 1 January 2024.

ANNEX 1

Rule 6 Contract Exceptions as they appear in the 2023 Contract Procedure Rules are written below. The table further down details the proposed rule for the 2024 version of the Contract Procedure Rules.

Rule 6 Current Wording: Exceptions

Exceptions

(a) Subject to the requirements of UK law, EU Retained law, Acts of Parliament and the Public Contracts Regulations 2015, and the Concession Contracts Regulations 2016, the following contracts may be placed by direct negotiation with one or more suppliers, contracts:-

(i) for supplies, materials, services or works which are available only as proprietary and/or patented articles, services or works from one contractor or supplier and for which the appropriate Chief Officer, on the advice of the Commercial Specialist, decides that there is no reasonably satisfactory alternative available in the UK and for repairs to, or the supply of, parts of existing proprietary or patented articles or works, including machinery or plant; a note of that decision and the reasons for it must be retained on the appropriate file and where the contract is equal to or exceeds £177,897 a copy of the note and reasons must be provided to the Director of Corporate Resources and the Director of Law and Governance.

(ii) for works of art, museum specimens or historical documents;

(iii) which constitute a variation or extension of an existing contract, as permitted by the contract and/or the Council's Standard Financial Instructions subject to the provisions of Rule 30 (Contract Modifications and Extensions) and Rule 31 (Novation of Existing Contracts);

(iv) for the following social care services provided that the Estimated Value of such services does not exceed the UK Threshold for Light-Touch service contracts:

aa. residential placements sought for an individual with a registered care provider of their choice;

bb. supported living services sought for an individual with an appropriate care and support provider of their choice under the National Health Service and Community Care Act 1990 and Care Act 2014;

cc. social care packages managed by or on behalf of individual clients under the personalisation agenda;

dd. where certain needs of an individual (either an adult or a child) require a particular social care package, which is only available from a specific provider in the opinion of the appropriate Chief Officer.

ee. residential placements sought for an individual under the Shared Lives scheme (or any equivalent scheme).

In each case the appropriate Chief Officer must ensure that the provider meets the relevant national minimum standards legislative or otherwise, (for example those standards set by the Health and Social Care Act 2008, OFSTED and HMI) and that a record of the reasons for the choice of provider is maintained on the individual's case notes as well as submitting to the relevant Commercial Specialist justification and evidence for exception placements. A record of the annual cumulative expenditure with each provider will be maintained by each directorate and made available for audit.

(v) for those unforeseen emergencies, where immediate action is required in order to fulfil the Council's statutory obligations under the Civil Contingencies Act 2004 with the authority of the appropriate Chief Officer in consultation with the relevant Commercial Specialist.

(vi) Where appropriate with involvement of Supplier Relationship Manager or Commercial Specialist where the value exceeds £25,000 approval.

(b) Other exceptions to these Rules may only be made within the relevant law and with the authority:-

(i) of the appropriate Chief Officer in consultation with the relevant Commercial Specialist where the Estimated Value of the proposed contract is under £177,897. The appropriate Chief Officer shall maintain a record specifying the reason for all such departures; or

(ii) of the Executive where it is satisfied that an exception is justified on its merits. In an urgent case the Chief Executive after consultation with the Council Leader or Deputy Leader (save where this is not practicable) may direct that an exception be made subject to this being reported to the next meeting of the Executive.

(c) In all cases under Rule 6 a full record of the reasons for the exception shall be maintained.

Rule 6 Proposed re write into a table for each element of the rule:

<table>
<tr><th>What is the Exception?</th><th>What approval is required?</th></tr>
<tr><td>6a) Direct purchase for supplies, materials, services or works which are available only as proprietary and/or patented articles, services or works from one contractor or supplier where there is no reasonably satisfactory alternative available in the UK and for repairs (to maintain warranties) to, or the supply of, parts of existing proprietary or patented articles or works, including machinery or plant.</td><td>Exception form must be completed outlining the full reasons for the request and the need for an exception.

Approval needs authorisation from the appropriate Chief Officer, on the advice of the Commercial Specialist.

In addition:
Where the contract value/ exception is equal to or exceeds £100,000 the exception must be approved by the Assistant Director for Finance.
Where the contract value/ exception is equal to or exceeds £177,897 a copy of the exception form and reasons must be authorised by the Director of Corporate Resources and the Director of Law and Governance.
Where the contract value/ exception is below £25,000 Rule 11 can apply.

The approved form must be retained in the appropriate file.</td></tr>
<tr><td>6b) Direct purchase without advertising of works of art, museum specimens or historical documents.</td><td>Exception form must be completed outlining the full reasons for the request and the need for an exception.

Approval needs authorisation from the appropriate Chief Officer, on the advice of the Commercial Specialist.
In addition:
Where the value exceeds £25,000, involvement required of the Supplier Relationship Manager to ensure value for money is attained.
Where the contract is equal to or exceeds £177,897 a copy of the exception form/note and reasons must be authorised by the Director of Corporate Resources and the Director of Law and Governance.
The approved form must be retained in the appropriate file.</td></tr>
</table>

6c) Direct purchase for the following social care services provided that the Estimated Value of such services does not exceed the UK threshold for Light-Touch service contracts: i.) residential placements sought for an individual with a registered care provider of their choice; ii.) supported living services sought for an individual with an appropriate care and support provider of their choice under the National Health Service and Community Care Act 1990 and Care Act 2014; iii.) social care packages managed by or on behalf of individual clients under the personalisation agenda; iv.) where certain needs of an individual (either an adult or a child) require a particular social care package, which is only available from a specific provider in the opinion of the appropriate Chief Officer. v.) residential placements sought for an individual under the Shared Lives scheme (or any equivalent scheme).	Exception note must be completed outlining the full reasons for the request and the need for an exception. Approval needs authorisation from the appropriate Chief Officer, on the advice of the Commercial Specialist. In addition: • Supplier Relationship Manager should be consulted to ensure value for money is attained. The approved note must be retained in the appropriate file. In each case the appropriate Chief Officer must ensure that the provider meets the relevant national minimum standards legislative or otherwise, (for example those standards set by the Care Act 2014, OFSTED and HMI) and Contract Procedure Rules that a record of the reasons for the choice of provider is maintained on the individual's case notes as well as submitting to the relevant Commercial Specialist justification and evidence for exception placements. A record of the annual cumulative expenditure with each provider will be maintained by each directorate and made available for audit.
6d) Direct purchase for those unforeseen emergencies, where immediate action is required to fulfil the Council's statutory obligations under the Civil Contingencies Act 2004	Exception form must be completed outlining the full reasons for the request and the need for an exception. Approval needs authorisation from the appropriate Chief Officer, on the advice of the Commercial Specialist. In addition: • Where the value exceeds £25,000, involvement required of the Supplier Relationship Manager to ensure value for money is attained. • Where the contract is equal to or exceeds £177,897 a copy of the exception form and reasons must be authorised by the Director of

	Corporate Resources and the Director of Law and Governance. The approved form must be retained in the appropriate file.
6e) Other exceptions to these Rules	Exception form must be completed outlining the full reasons for the request and the need for an exception. Approval needs authorisation from the appropriate Chief Officer, on the advice of the Commercial Specialist. In addition: • Where the value exceeds £25,000, involvement required of the Supplier Relationship Manager to ensure value for money is attained. • Where the contract is equal to or exceeds £100,000 the exception must be authorised by the Assistant Director for Finance and also; • Where the contract is equal to or exceeds £177,897 a copy of the exception form and reasons must be also authorised by the Director of Corporate Resources and the Director of Law and Governance along with the Executive and Leader or Deputy Leader where the Leader is not practical. The requesting department is responsible for ensuring Cabinet approval is sought. The approved form must be retained in the appropriate file.

ANNEX 2

Rule 30 Contract Modifications and Extensions as they appear in the 2023 Contract Procedure Rules are written below. The table further down details the proposed rule for the 2024 version of the Contract Procedure Rules.

Rule 30 Current Wording: Modifications and Extensions.

Contract Modifications

(a) Subject to Rule 30(b) below, Contracts may be modified where the value of the modification is;

(i) below the current UK Threshold for service/supply/works contracts; and

(ii) is less than 10% of the initial Contract value for service and supply contracts and less than 15% of the initial Contract value for works.

(b) The appropriate Chief Officer in consultation with the Commercial Specialist shall be authorised to modify the Contract in accordance with Rule 30(a) above provided:

(i)the modification does not alter the overall nature of the Contract; and

(ii) where there is, or has been more than one modification, the value shall be the net cumulative value of all modifications for the purpose of Rule 30(a) above.

(c) A modification over 10% requires prior approval from the Director of Law and Governance and the Director of Corporate Resources if above the UK Threshold.

(d) Prior to any modification being agreed which would result in an increase in the Total Value of the Contract the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.

Contract Extensions

(e) Where a Contract Extension has been provided for both in the Initial Procurement Documents and in the Contract in clear and precise terms then the appropriate Chief Officer or any Officer with delegated authority under Rule 2 shall be authorised to extend the Contract in consultation with the Commercial Specialist.

(f) For the purpose of this Rule 30 “Initial Procurement Documents” shall mean any notice, UK e-notification service notice known as Find a Tender Service (FTS)), Request for Quotation, Invitation to Tender or Specification.

(g) Where the Initial Procurement Documents and/or the Contract does not provide for an extension the appropriate Chief Officer in consultation with the Commercial Specialist shall consider the extension as a modification to the Contract and shall only be authorised to extend the Contract in accordance with Rules 30(a) and 30(b) above.

(h) In all other circumstances and where Rule 30(e) and 30(g) above do not apply, the appropriate Chief Officer in consultation with the Commercial Specialist and the Director of Law and Governance must gain the prior approval of the Director of Corporate Resources.This authorisation must be issued before the extension is carried out.

(i) Prior to any extension being agreed which would result in an increase in the Total Value of the Contract the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.

Rule 30 Proposed re Write into a table for each element of the rule:

What is the Modification?	What approval is required?
30a) Where the contract modification meets all the following: i) Modification value is below £177,897 (ex VAT) – this value shall be net cumulative of all modifications to the contract. ii) Modification value is within 10% greater or lesser of the original contract value. iii) Does not alter the overall nature of the original contract. or Where the contract modification meets all the following and was procured under the provider selection regime: i) Modification value is below £500,000 (ex VAT) – this value shall be net cumulative of all modifications to the contract.	Modification form must be completed outlining the full reasons for the request and the need for a modification All approvals need authorisation from the appropriate Chief Officer, on the advice of the Commercial Specialist. In addition: • Where the value exceeds £25,000, involvement required of the Supplier Relationship Manager to ensure value for money is attained. • Where the modification is equal to or exceeds £100,000 the modification must be approved by the Assistant Director for Finance. Prior to any modification being agreed which would result in an increase in the

ii) Modification is 25% greater or lesser the original contract value. iii) Does not alter the overall nature of the original contract.	Total Value of the Contract the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.
30(b) Where the contract modification meets all the following: i) Modification value is below £25,000 ii) Modification value is above 10% greater or lesser the original contract value. iii) The overall contract value including this modification does not exceed £177,897 (ex VAT). iv) Does not alter the overall nature of the original contract.	Modification form must be completed outlining the full reasons for the request and the need for a modification Approval needs authorisation from the appropriate Chief Officer, on the advice of the Commercial Specialist. Prior to any modification being agreed which would result in an increase in the Total Value of the Contract the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.
30c) All other contract modifications.	Modification form must be completed outlining the full reasons for the request and the need for a modification. Modification approval needs authorisation from the appropriate Chief Officer, on the advice of the Commercial Specialist and authorisation from the Director of Corporate Resources and the Director of Law and Governance. In addition: • Where the value exceeds £25,000, involvement required of the Supplier Relationship Manager to ensure value for money is attained. The approved form must be retained in the appropriate file. Prior to any modification being agreed which would result in an increase in the Total Value of the Contract the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.

What is the Extension?	What approval is required?
30d) Where a Contract Extension has been provided for both in the Initial Procurement Documents and in the Contract in clear and precise terms. Or Where the Contract Extension i) Value is below £177,897 (ex VAT) – this value shall be net cumulative of all extensions to this contract. ii) Value is within 10% up of the original contract value. iii) Does not alter the overall nature of the original contract.	Extension form must be completed outlining the full reasons for the request to extend the contract. Approval needs authorisation from the Chief Officer in consultation with the Commercial Specialist. In addition: • Where the value exceeds £25,000, involvement required of the Supplier Relationship Manager to ensure value for money is attained. The approved form must be retained in the appropriate file. Prior to any extension being agreed the Contract the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.
30e) All other Contract Extensions	Extension form must be completed outlining the full reasons for the request and the need for an extension to the contract. Approval needs authorisation from the appropriate Chief Officer, on the advice of the Commercial Specialist. Authorisation from the Director of Corporate Resources and the Director of Law and Governance. In addition: • Where the value exceeds £25,000, involvement required of the Supplier Relationship Manager to ensure value for money is attained. The approved form must be retained in the appropriate file. Prior to any extension being agreed the Contract the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.