Meeting: **Scrutiny Commission**

Date/Time: **Monday, 29 January 2024 at 10.00 am**

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

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

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

Membership

Mr. M. T. Mullaney CC (Chairman)

Mr. T. Barkley CC	Mrs. A. J. Hack CC
Mr. M. Frisby CC	Mr. J. Morgan CC
Mrs. H. J. Fryer CC	Mrs. R. Page CC
Mr. S. J. Galton CC	Mr J. Poland CC
Mr. T. Gillard CC	Mr. T. J. Richardson CC

AGENDA

Item		Report by	
1.	Minutes of the meeting held on 8 November 2023		(Pages 5 - 14)
2.	Question Time.		
3.	Questions asked by members under Standing Order 7(3) and 7(5).		
4.	To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
5.	Declarations of interest in respect of items on the agenda.		
6.	Declarations of the Party Whip in accordance with Overview and Scrutiny Procedure Rule		

16.

7.	Presentation of Petitions under Standing Order 35.		
8.	Provisional Medium Term Financial Strategy 2024/25 - 2027/28	Director of Corporate Resources	(Pages 15 - 62)

Mr N. J. Rushton CC, the Leader of the Council and Mr L. Breckon CC, Lead Member for Resources, have been invited to attend for this and all other MTFS related items below.

9.	Medium Term Financial Strategy 2024/25 - 2027/28 - Chief Executive's Department	Chief Executive and Director of Corporate Resources	(Pages 63 - 78)

In addition to the Leader and Lead Member for Resources, the following Lead Members have been invited to attend for this item:

- Mrs D. Taylor CC (Regulatory Services)
- Mrs P. Posnett CC (Community and Staff Relations)

10.	Medium Term Financial Strategy 2024/25 - 2027/28 - Corporate Resources Department	Director of Corporate Resources	(Pages 79 - 102)

Mr L. Breckon CC, Lead Member for Resources, and Mr P. Bedford CC, Lead Member for Recovery and Transformation, have been invited to attend for this item.

11.	Medium Term Financial Strategy 2024/25 - 2027/28 - Consideration of responses from other Overview and Scrutiny Committees		

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

- Health Overview and Scrutiny Committee (meeting held on 17 January)
- Highway and Transport Overview and Scrutiny (meeting held on 18 January)
- Adults and Communities Overview and Scrutiny Committee (meeting held on 22 January)
- Children and Families Overview and Scrutiny Committee (meeting held on 23 January)
- Environment and Climate Change Overview and Scrutiny Committee (meeting held on 24 January)

12.	Draft Revised Investing in Leicestershire Programme Portfolio Management Strategy 2024 - 28	Director of Corporate Resources	(Pages 103 - 142)

A presentation by Hymans Robertson will be provided as part of this item.

13.	Interim Report on the Traded Services Strategy	Director of Corporate Resources	(Pages 143 - 150)
14.	Date of next meeting.		

The next meeting of the Commission is scheduled to take place on 13th March 2023 at 10.00am.

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

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Leicestershire County Council

Minutes of a meeting of the Scrutiny Commission held at County Hall, Glenfield on Wednesday, 8 November 2023.

PRESENT

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

Mr. T. Barkley CC	Mr. P. King CC
Mrs. H. J. Fryer CC	Mr. J. Morgan CC
Mr. S. J. Galton CC	Mrs. R. Page CC
Mr. T. Gillard CC	Mr J. Poland CC
Mrs. A. J. Hack CC	Mr. T. J. Richardson CC

29. Minutes.

The minutes of the meeting held on 6th September 2023 were taken as read, confirmed and signed.

30. Question Time.

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

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

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

32. Urgent items.

There were no urgent items for consideration.

33. Declarations of interest.

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

No declarations were made.

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

There were no declarations of the party whip.

35. Presentation of Petitions under Standing Order 35.

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

36. Change to the Order of Business

The Chairman sought and obtained the consent of the Commission to vary the order of business from that set out on the agenda for the meeting.

37. Place Marketing - Leicester and Leicestershire.

The Commission considered a report of the Chief Executive which provided an update on the work of the Place Marketing Team for Leicester and Leicestershire. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Chairman welcomed Mr Mike Denby, Director of Inward Investment and Place Marketing (the Director), to the meeting.

Arising from discussion, the following points arose:

(i) Members noted that the support provided by the Place Marketing team (the team) to both new and existing businesses coming to the area varied. The team might provide links with other local businesses, local colleges and universities, or work with job centre plus. It also worked with agents to help source properties in the area. The Director commented that the team added most value by providing support and helping to establish links across the locality to both grow and bring in new investment to the area.

(ii) The MIPIM (the international market for real estate professionals) event had been held in March and whilst this had generated some interest in some local schemes, these had not yet come to fruition. The Director confirmed, however, that discussions were still ongoing to pursue opportunities which might lead to direct investment within the County.

(iii) It was noted that the Head of Strategic Property Services had attended the event in March on behalf of the County Council. A Member questioned whether attending MIPIM was worthwhile given the costs involved. The Director advised that local private sector partners attended the event and so a presence, though on a very small scale, had been considered important. It was noted that more focus was given to UK based events such as REiiF. Members agreed this was a more appropriate use of resources and more likely to attract investment into the County.

(iv) The campaign to promote the County was good and demonstrated local assets well and in a way that was refreshing and hopefully attractive to businesses. However, a Member commented that whilst the team clearly undertook good work, given its size, its level of influence was limited. The team consisted of 7 staff with a total annual budget of £650,000.

(v) A Member commented that of the enquiries raised through the PM website, only a 6% conversion rate appeared to have been achieved. Members noted that as a small team its efforts had to be targeted towards large businesses that would bring in the most investment and create the most jobs. Smaller businesses that sought advice were able to use the automated web-support provided. Members noted that one member of the PM team had also been appointed to focus on such smaller business contacts.

(vi) A Member suggested it was not clear what direct outcomes had been achieved from the information provided. For example, whilst it had been reported that the team had helped to safeguard 47 jobs in the area, it was not clear how many opportunities had been lost, or what number of businesses had moved out of the area. It was further suggested that the businesses supported might in any event have come into the County. It was acknowledged tracking the direct value added by the team as a result of the work and marketing it undertook was difficult. However, the Director emphasised that it provided a centralised point of contact that worked hard to reach out to businesses and agents early on, to build connections across the area that hopefully tipped the balance in favour of Leicestershire over other areas a business might be considering. A member commented that the team appeared to do well within the resources it had and that to do more, more funding would be required which was unlikely given the financial pressures faced by local government.

(vii) A Member commented that much investment in the County had been targeted towards logistics. This took up a lot of land but on a square metre basis generated fewer jobs and jobs at lower income levels. It was questioned what was being done to attract other types of business to the localities, such as creative or tech industries. Members noted that locality PM teams had been established to engage with district councils to understand what they had planned for their area through their Local Plan processes. This was, however, more difficult for commercial developments where there was no clear policy.

(viii) A Member pointed out that cuts to local infrastructure such as busses, affected the connectivity of the County which likely reduced its attractiveness to businesses.

(ix) It was noted that since the pandemic businesses were starting to seek to move to smaller but higher quality (grade A) premises. This was a challenge for Leicester and Leicestershire as other areas, such as Birmingham and Nottingham, had for many years sought to stimulate this area of the market. Grade A office space was limited in the County and the City. The team was therefore working with owners of grade B office space to encourage them to upgrade this to meet such demand.

RESOLVED:

That the update now provided on the work of the Place Marketing Team for Leicester and Leicestershire be noted.

38. Medium Term Financial Strategy Monitoring.

The Commission considered a report of the Director of Corporate Resources the purpose of which was to provide members with an update on the 2023/24 revenue budget and capital programme monitoring position as at the end of period 6 (the end of September2023). A copy of the report marked ‘Agenda Item 9’ is filed with these minutes.

Arising from discussion, the following points arose:

(i) A Member raised concerns that the Council was struggling in its negotiations with the ICB (Integrated Care Board) regarding payments for social care which would normally be made, and were made, by the NHS in other areas. The Member urged Cabinet Lead Members to put pressure on the ICB to ensure the County Council was funded in line with other social care authorities, noting that the current position disadvantaged Leicestershire residents.

(ii) It was noted that under the Council's Vehicle Replacement Programme the vehicles being purchased were traditionally fuelled (diesel), not electric. The Council did, however, have a future capital scheme to look at more energy efficient alternatives. A Member questioned if the warranties on the new vehicles would preclude them from being adapted to use other, cleaner fuels. The Director undertook to consider the warranty provisions on the new vehicles being purchased.

(iii) A Member questioned if the rental income generated by letting parts of County Hall was significant against the capital cost of delivering the Workplace Strategy. It was suggested that more detail was needed to understand if the Strategy was still the correct approach. The Director confirmed that an update on progress to deliver the Ways of Working Programme had been scheduled for April 2024 and undertook to include more financial information regarding capital costs balanced against revenue income within that update. It was suggested that this update could be done by way of a formal report or briefing for the Commission.

(iv) It was noted that the introduction of spending controls was being considered across all areas given the funding gap of £10m which was currently forecast for the year end. These might include recruitment controls (requiring senior approval to recruit), expenditure and procurement controls (for example where new tendering opportunities arose), and stronger controls over non-essential spend. Members noted that this would be a matter considered by the Council's Corporate Management Team for implementation imminently. The Lead Member provided assurance that all Members would be updated as appropriate.

(v) A Member commented that the two budget areas consistently overspending were Children's and Adult's Social Care Services. It was noted that some spending controls had already been put in place across these service areas with panels now established to look at new social care packages and reviews of existing packages to more closely assess if these met an identified need. The Director assured Members that spend across both Departments was being monitored very closely.

(vi) A Member questioned the indirect property investments held within the Investing in Leicestershire Programme (IILP), noting that these appeared to have generated a low level of return (2.3%). The Director advised that there was an error in the report and that the overall return on such holdings had been 4%.

(vii) Members noted that indirect property investments were held to spread the Council's risk across a number of different asset types within the IILP. This had followed advice received from independent financial consultants some years ago. The Director commented that whilst there were always risks, the Council targeted those types of investment that were at the lower end of the risk scale. The Council also benefited from the added assurance and due diligence undertaken by the Pension Fund which also invested in these asset types.

(viii) In response to a question regarding where the funds to invest in the IILP came from the Director advised that this was the working capital of the Council and investing in indirect property was essentially a treasury management investment. It was noted that if these funds were used to deliver local infrastructure, this would create a hole in the revenue budget of approximately £3m through loss of income.

(ix) Social Care was a demand led service and much had been done in recent years to address and reduce this across Adult's and Children's services. Growth was beginning to plateau. However, the cost of care, particularly given private sector competition, had increased, as had the complexity of care needed. These were national issues affecting all local authorities.

(x) A Member commented that there had been a significant uplift in residential care need. The private sector dominated this area pushing up prices. It was questioned whether the IILP could be used to build more in house capacity and if it would be cost effective for the Council to borrow money to deliver that capacity more quickly, noting the saving this might generate in revenue costs. The Director confirmed that the Council had a social care investment programme focused towards increasing internal provision in partnership with the private sector. This was a priority for the Council and had been included in the capital programme. However, a key challenge would be recruiting the staff needed to support this.

(xi) The recruitment and retention of staff continued to be an issue across all service areas. A Member commented on the use of agency staff at great expense to the Council. It was noted that this was a risk included on the Council's Corporate risk Register which was considered on a quarterly basis by the Council's Corporate Governance Committee. It was suggested that an update on work taking place to manage this risk would be beneficial either to the Commission or the Corporate Governance Committee as the Director considered appropriate.

(xii) A Member commented that local authorities were in a dire situation financially. The County Council had been well managed financially and so was in a better place than many. It was noted that for the current financial year, money set aside for risk contingencies could be used to bridge the funding gap. However, this would be used as a last resort. For the future, early planning for the delivery of savings would be key to facing the challenges ahead.

(xiii) In response to questions raised, the Director confirmed that responsibility to issue a section 114 notice rested with him as the Council's designated Section 151 officer. There were no formal mechanisms in place except the need for the Director to first consult the Chief Executive and the Monitoring Officer before issues the notice. The Director said it was imperative that the Council sought to avoid issuing such a notice as it delivered no benefits to the Council's financial position, but instead added a layer of cost and restrictions which would result in a loss of control for the Council to determine where best to make savings.

RESOLVED:

(a) That the update now provided be noted;

(b) That the Director of Corporate Resources be requested to:

(i) Check if the warranty provisions on new vehicles purchased under the Council's Vehicle Replacement Programme would prevent them being adapted to use cleaner alternative fuels.
(ii) Include in the planned update on progress to deliver the Ways of Working Programme in April 2024 more detailed financial information regarding capital costs balanced against revenue income and that this update be provided by way of a formal report or a briefing for Commission Members, as considered appropriate by the Director.
(iii) Provide an update on work taking place to manage risks relating to the use of costly agency staff across the Authority either to the Scrutiny Commission or the Corporate Governance Committee, as the Director considered appropriate.

39. <u>Leicestershire County Council Community Safety Update.</u>

The Committee considered a report of the Director of Children and Family Services regarding work being undertaken by the Council's Community Safety Team to deliver the Council's Community Safety Strategy 2022-26 and in undertaking the duties placed on the Authority in relation to crime and disorder in partnership with other statutory responsible agencies. The Commission received the report in its capacity as the County Council's designated crime and disorder committee. A copy of the report, marked 'Agenda Item 10', is filed with these minutes.

Arising from discussion, the following points arose:

(i) A member commented that the Service did valuable work and that this was a good example of how the County and district councils worked well together to deliver outcomes for vulnerable residents.

(ii) It was noted that the Authority was not required to provide housing, but to provide accommodation-based support such as advocacy advice. Providing housing and addressing homelessness remained the responsibility of district councils. The Service worked closely with district housing officers and attended locality housing officer group meetings to ensure a co-ordinated approach. Members noted that district councils had received a proportion of the funding allocated to support their housing function in this regard. Most had used this to employ housing link workers that worked closely with the Council's Community Safety Team.

(iii) There had been an increase in the numbers of people presenting to district councils as homeless. Of those that were victims of domestic abuse, work was being planned to ensure, where it was safe to do so, the victims were able to stay at home and the perpetrator rehoused. This avoided having to rehouse whole families. The Council was using some of the funding it received from the Department for Levelling Up, Housing and Communities (DLUHC) to support this work.

(iv) Support and commissioning of domestic abuse services was fragmented; a proportion being provided by the Police and Crime Commissioner, and a proportion by the County Council through the Public Health and the Children and Family Services Departments. All held data around those being supported and work was being undertaken to bring this together to provide a more holistic view of those receiving support across the County. It was hoped that this would be available when the service next reported to the Commission.

(v) The Ask for Angela campaign started small but had been rolled out quickly across Leicestershire with training having been provided. This was now a large national campaign and the Team sought to ensure that staff across establishments were aware of this and so were able to respond should they be approached by a member of the public asking for 'Angela'.

(vi) A lot was being done to engage with and educate young people. The Team liaised with schools through the Violence Reduction Network which ran a mentors in Violence Prevention Programme being rolled out across Leicester, Leicestershire and Rutland. This provided a forum for partners to discuss and coordinate the support available to young people. It also ran a campaign about the use of appropriate language and how to challenge that and a new website had been established with young people and carers to ensure they were signposted to support available. Partners were also working together to train young people to be peer mentors which was proving to be very impactful.

(vii) It was noted that the report included details of spend across individual projects but did not include details of the costs of those contracts not yet in place. Members therefore requested a more detailed summary of cost against the DLUHC funding received. The Director undertook to provide this after the meeting.

RESOLVED:

(a) That the update now provided on the work being undertaken by the Council's Community Safety Team to deliver the Council's Community Safety Strategy 2022-26 and in undertaking the duties placed on the Authority in relation to crime and disorder in partnership with other statutory responsible agencies, be noted;

(b) That the Director be requested to provide a detailed summary of the cost of domestic abuse services commissioned against the DLUHC funding received, for Members of the commission after the meeting.

40. <u>Annual Delivery Report and Performance Compendium 2023.</u>

The Committee considered a report of the Chief Executive regarding the draft Annual Delivery Report and Performance Compendium for 2023 which set out the Council's progress and performance over the past year. The views of the Scrutiny Commission were sought on the report and compendium prior to its submission to the Cabinet and Full Council on 24 November and 6 December 2023 respectively. A copy of the report marked ‘Agenda Item 11’ is filed with these minutes.

Arising from discussion, the following points arose:

(i) Leicestershire’s economy had performed reasonably well compared to other areas. However, feedback suggested that people’s perceptions about the economy were more negative and less optimistic. It was noted that such feedback was obtained through telephone polling undertaken over a 12 month rolling period (around 100 randomly selected residents were contacted each month) and took account of over 1,600 comments received. This provided an overall picture of people’s views on a number of issues during the period that could be compared to previous years. Whilst it was noted that the data was triangulated against other sources, some Members suggested that undertaking polls in this way was no longer beneficial and that such data should be used with caution. As many residents, particularly younger people, no longer had telephone land lines a Member further questioned whether those contacted, despite random sampling, could be regarded as truly representative.

(ii) The delivery of affordable housing was a responsibility of district councils. However, the report highlighted that as a County, Leicestershire was one of the best in terms of delivery. A Member suggested this was not the case across all districts and some areas delivered more than others in line with allocated targets.

(iii) It was noted that the percentage figures regarding physically activity in adults had been omitted from page 80 of the report. The Chief Executive undertook to confirm this information after the meeting. It was noted that more detail regarding outcomes and performance of public health activities would be included in the annual report of the Director of Public Health to be presented to full Council later in the year.

(iv) Whilst average A level results were below the counties average in 2022, it was suggested that this was not unexpected given such children’s education had been severely disrupted by the Covid 19 pandemic. A Member suggested that this should be reflected in the commentary, as those children had still done very well despite difficult circumstances.

(v) A Member challenged the red rating of Adult Social Care (expenditure per head of population) and suggested that despite spending less than other authorities the Council still managed to deliver better outcomes for its residents in respect of those services.

(vi) Members noted that whilst Leicestershire was an efficient Council that continued to deliver good outcomes across many areas despite it being the lowest funded Council in the country, it was now at a tipping point, whereby outcomes might begin to reduce if fair funding was not addressed by the Government.

(vii) Members noted the larger proportion of indicators that had deteriorated this year and whilst this was, in part, still due to the impacts of the Covid 19 pandemic, other factors were also having an effect, including the Council's low funded position which was changing the level of service it could continue to provide.

(viii) A Member commented that the Council could no longer deliver some services provided by other, better funded authorities. However, the core services it did provide it did so very well and it was an exemplar in some areas which should be recognised. It was suggested that future reports might need to reflect how well the Council performed in respect of the services it was able to fund, whilst recognising that there were some services it could no longer deliver and to demonstrate separately the impact this had on residents.

(ix) Members noted that the Council's Strategic Plan would shortly be subject to review and it would be necessary for the Council to consider what as a local authority it could realistically deliver going forward, and how this might affect the pledges, ambitions and timescales set out in the current iteration of the Plan.

RESOLVED:

(a) That the draft Annual Delivery Report and Performance Compendium for 2023 which set out the Council's progress and performance over the past year be noted;

(b) That the comments now made be reported to the Cabinet for consideration at its meeting on 24th November 2023.

41. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Commission would be held on 29 January 20224 at 10.00 am.

10.00am – 12.46pm CHAIRMAN
08 November 2023

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Leicestershire County Council

SCRUTINY COMMISSION – 29 JANUARY 2024

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

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. The purpose of this report is to:

    a) Provide information on the proposed 2024/25 to 2027/28 Medium Term Financial Strategy (MTFS) as it relates to Corporate and Central Items;

    b) Provide an update on changes to funding and other issues, arising since the publication of the draft MTFS in December 2023;

    c) Provide details of the Earmarked Reserves Policy and Capital Strategy;

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

Timetable for Decisions (including Scrutiny)

2. On 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 will consider the proposals during January 2024.

3. An update of the MTFS will be reported to the Cabinet on 9 February 2024, and then to the County Council on 21 February 2024 to approve 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

4. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council on 22 February 2023. The County Council's Strategic Plan (agreed by the Council on 18 May 2022) outlines the Council's long-term vision for the organisation and the people and place of Leicestershire.

The MTFS, along with other plans and strategies such as the Transformation Programme, aligns with and underpins the Strategic Plan.

MTFS Summary – Cabinet 19 December 2023

5. The draft MTFS was approved by the Cabinet on 19 December 2023.

6. The key revenue budget details were:

- Local Government Settlement anticipated to only cover 2024/25
- Council Tax increase of 2.99% plus 2% Adult Social Care Precept in 2024/25 and 2025/26, and 2.99% for the following two years
- Growth of £127m required, primarily to meet the forecast increase in demand for social care
- Provision for pay and price inflation, £114m, driven by the National Living Wage (NLW) and relatively high inflation forecasts.
- Savings required of £162m - of which £36m are identified and £41m relate to Special Education Needs, leaving a shortfall of £85m to be found.

7. The key capital programme details were:

- The draft four-year capital programme totalled £449m
- Capital funding available totalled £356m
- Balance of £93m, temporarily funded from the County Council's internal cash balances, with external borrowing potentially being required in future years.

Changes to the Revenue Budget 2024-28

8. A summary of the overall MTFS revenue position as reported to Cabinet on 19 December 2023 is shown in Appendix A.

9. The draft MTFS to the Cabinet in December was compiled prior to the announcement of the provisional local government settlement. Following receipt of the provisional settlement and council tax base estimates from the district councils, the following changes will be incorporated in the final version of the MTFS to the Cabinet in February.

	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	-0.4	-0.4	-0.4	-0.4
Services Grant	1.1	0.8	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
Revised Shortfalls	**12.7**	**34.0**	**60.3**	**84.4**

10. 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.

11. Social Care Grants (-£0.4m) increased allocation in the provisional settlement, which includes -£38.7m compared with -£38.3m anticipated in the draft MTFS.

12. 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.

13. 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.

14. The latest provisional council tax collection fund estimates for 2023/24 are lower than previous estimates by £0.5m. A final position will be reported to the Cabinet in February.

15. The above changes have not yet been reflected in the appendices to this report. The net effect of these changes and any others that may arise subsequently will be proposed to the Cabinet in February.

16. 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 draft MTFS only forecasts a balanced budget next year, after assuming the use of £12m of earmarked reserves to meet the currently projected gap, but the following three years are all in deficit

17. The £34m gap in the second year will not be cleared by the time the MTFS is approved in February 2024. 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.

18. Considering the scale of the challenge faced by the Council existing financial control measures are being reinforced and new ones being applied to ensure a tight focus on eliminating non-essential spend. Inevitably, further savings beyond those identified in this report will be needed, and where possible, included in the final MTFS. As a minimum the Council will need to agree a strategy for how and where further savings will be identified.

Corporate and Central Items

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

Dedicated Schools Grant (DSG) - Central Dept Recharges

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

MTFS Risks Contingency

21. The proposed MTFS 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. Examples include:

- The non-achievement of savings.
- Uncertainty of partner funding, for example the provision of services through the BCF.
- Pressure on demand-led budgets particularly in social care.
- Maintaining the level of investment required to deliver savings.
- New service pressures that arise.
- Risks around commercial services.
- Other one-off pressures.

22. The increase in the first year relates to significant resource requests to deal with operational pressures and service changes alongside a high level of uncertainty. If the contingency is not required resources will be directed to priority areas, e.g. reducing the shortfall in capital funding discussed later in this report.

Contingency for Inflation / Living Wage

23. A total of £50.0m has been included in the latest MTFS for 2024/25, rising to £70.4m in 2025/26, £91.7m in 2026/27, and £113.7m in 2027/28. This contingency will be allocated to services as necessary.

24. The main components of the contingency are provisions for:
    - Pay awards £48m, including provision for the 2023/24 pay award which will be allocated to department budgets in the updated MTFS to be presented to the Cabinet and the County Council in February.
    - National Living Wage/ Adult Social Care fee reviews £53m.
    - Other running costs, net of income, £12m.

25. 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.

26. 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.

27. 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 of £53m has been made. The NLW also creates a significant upward pressure on the Council's pay costs.

28. The Government's preferred measure of inflation is the consumer prices index (CPI). In October 2023 this was 4.6% and it fell further to 3.9% in November but rose slightly to 4.0% in December. 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.

29. 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 2023/24 will not impact on the Council's costs until 2024/25 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 2024/25 and 3% per annum in later years.

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

Financing of Capital

31. 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.

Bank and Other Interest

32. The forecast interest income relating to treasury management investments is budgeted at £14.0m in 2024/25 and is estimated to reduce to £7.0m in 2025/26, £4.0m in 2026/27 and £3.0m in 2027/28 as balances are reduced to fund internal borrowing for the capital programme and interest rates are expected to fall.

Central Expenditure

33. The 2024/25 budget includes £2.7m for Central Expenditure consisting of:

- Pensions (£1.5m) - funding for added years, agreed before and as part of Local Government Reorganisation in 1997;
- Members' Expenses and support (£1.4m);
- Flood Defence Levies (£0.3m) payable to the Environment Agency;
- Elections (£0.2m) annual contribution to an earmarked reserve to fund County Council elections;
- Financial Arrangements (-£0.6m) – including income from Eastern Shire Purchasing Organisation (ESPO) and external audit fee costs. This includes a growth item of £150,000 for increased external audit fees in 2024/25 and a saving of £80,000 in 2024/25 from growth in the County Council's share of ESPO's net income.

Corporate Growth and Savings

34. G32 - Corporate Growth contingency, £9.7m in 2025/26, rising to £19.4m in 2026/27 and £28.7m in 2027/28. This has been included to act as a contingency for potential further cost pressures in the later years of the MTFS. The value has been set based upon historic levels of growth incurred. Without the use of such a contingency the Council is likely to be required to make savings in a very short time period.

Adequacy of Earmarked Reserves and Robustness of Estimates

35. 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.

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

    - High inflation persisting for longer than expected.
    - Non-achievement of savings and income targets. The requirement for savings and additional income totals £162m over the next four years of which £85m is unidentified. Successful delivery of savings is not wholly in the control of the County Council.
    - Unforeseen service pressures resulting in an overspend, particularly demand-led children's and adult social care.
    - SEN spend in excess of grant. A cumulative deficit of £112m 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.
    - The National Living Wage is estimated for 3 of the 4 years of the MTFS and pay awards are unknown for any year.
    - The strength of the economy dictates the funding of the public sector, both directly through council tax and business rate income and indirectly through the influence on Government funding decisions.
    - The increasing reliance on income generated from services in other parts of the public sector (such as schools and NHS). Given the tight financial environment it will be challenging to maintain or keep increasing income.

- A number of significant government initiatives already delayed with further delays expected:
  - 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

37. 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.

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

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

General Fund

39. The General Fund balance is available for unforeseen risks that require short term funding. The forecast balance at the end of 2023/24 is £20m which represents 3.6% 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 that result in 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.

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

41. 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

42. 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 C to this report. These figures are provisional and may be updated in the report to Cabinet on 9 February. The final level of earmarked reserves will be subject to the current year budget outturn.

43. Earmarked funds and balances are held for specific purposes in line with the Council's Earmarked Reserves Policy attached as Appendix D. This is subject to review and may be updated in the report to Cabinet. 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 £11.9m 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.

44. 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.

45. 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.

46. 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.

47. 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.

48. 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

49. 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

50. The Council's risk management policy statement and strategy, and insurance policy are reviewed annually and will be considered by the Corporate Governance Committee on 26 January 2024.

Robustness of Estimates

51. 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.

52. 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.

53. 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.

Conclusion

54. 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 funds and balances of the County Council, assurance can be given that the estimates are considered to be robust and the earmarked reserves adequate.

Capital Programme 2024/25 to 2027/28

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

- To invest in priority areas of growth, including roads, infrastructure, 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 other external funding agencies.
- No or limited prudential borrowing (only if the returns exceed the borrowing costs).

56. The draft capital programme totals £449m 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.

57. 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	41.0	37.5	7.8	3.5	89.8
Adults and Communities	6.4	4.9	6.1	4.8	22.2
Environment and Transport	81.0	54.5	38.9	35.4	209.8
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	35.3	19.9	23.2	38.4	116.8
Total	**166.6**	**118.8**	**77.8**	**85.5**	**448.7**

Capital Resources 2024-28

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Grants	40.4	50.0	38.9	43.0	172.3
Capital Receipts from sales	24.4	2.9	1.0	3.8	32.1
Revenue/ Reserve Contributions	84.1	24.4	0.1	0.1	108.7
External Contributions	17.7	18.2	5.8	0.5	42.2
Total	**166.6**	**95.5**	**45.8**	**47.4**	**355.3**
Funding Required	**0.0**	**23.3**	**32.0**	**38.1**	**93.4**

58. 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.

59. The proposed programme can be summarised as:

Service Improvements	£259m
Invest to Save	£73m
Investment for Growth	£62m
Future Developments/ Risk Contingency	£55m
Total	£449m

Funding and Affordability

Forward Funding

60. 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.

61. 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.

62. There are risks involved in managing and financing a programme of this size. And 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.

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

64. 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.

65. 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.

66. 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 Programme Funding

67. The proposed capital programme funding is shown below.

Capital Grants	£172.3m
Capital Receipts from sales	£32.1m
Revenue/ Reserve contributions	£108.7m
External Contributions	£42.2m
Borrowing (from internal balances)	£93.4m
Total	**£448.7m**

Capital Grants

68. Grant funding for the capital programme totals £172m across the 2024-28 programme. The majority of grants are awarded by Government departments including the Department for Education (DfE) and the Department for Transport (DfT).

Children and Family Services

69. 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) 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

70. Capital funding for the Disabled Facilities Grant (DFG) programme has not yet been announced. An estimate in line with previous years of £4.8m per annum has been included in the capital programme.

Environment and Transport

71. 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).

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

- Melton Mowbray North & 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.

73. 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

74. 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.

75. 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

76. To supplement the capital resources available and avoid the need for borrowing £109m of revenue/ reserves funding is being used to fund the programme consisting of:

Departmental reserves	£1m
Capital financing reserve	£108m
Total	£109m

77. 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

78. 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

79. 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).

80. Due to the strength of the County Council's balance sheet, it is possible to use internal balances (cash balances) to fund the capital programme on a temporary basis instead of raising new external loans. Levels of cash balances held by the Council comprise the amounts held for earmarked funds, provisions, the Minimum Revenue Provision (MRP) set aside for the repayment of debt and working capital of the Council. The cost of raising external loans over the medium to long term is forecast to exceed the cost of interest lost on cash balances by circa 2%.

81. 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. But because of the uncertainty on interest rates, this position will be kept under review as part of the treasury management strategy.

82. 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

83. Over the period of the MTFS, a capital programme of £449m is required of which £167m is planned for 2024/25. The main elements are:

- Children and Family Services - £90m. 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 - £210m. 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 - £117m investment in the 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.

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

Changes to the Capital Programme 2024-28

85. The expenditure profiles on all schemes are currently being reviewed and updated to reflect the latest known position. The updated profiles will be reported in the MTFS report to the Cabinet in February 2024.

Investing in Leicestershire Programme

86. The Council directly owns and manages properties, including Industrial, Office and County Farms as part of the Investing in Leicestershire Programme (IILP). The fund also includes financial investments outside of direct property ownership, for example private debt, and pooled property investments (the indirect investments provide diversification of the fund). The fund 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).

87. 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
- (£8m) – net change in maturing indirect investments held

88. 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.

89. The IILP annual strategy has been updated for 2024-28 and will be included in the MTFS update to the Cabinet and County Council in February 2024. The update for 2024-28 is also being reported separately to this committee.

Freeport

90. The County Council is acting as the Accountable Body in relation to the establishment and ongoing activity of the East Midlands Freeport (EMF). The Freeport has been in operation since March 2023 and the various governance documents required are in their final stages of completion.

91. 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.

Budget Consultation

92. The Cabinet at its meeting on 19 December 2023 approved the MTFS proposals for consultation. The consultation asked for views on the savings plan and the appetite for Council Tax increases. The consultation closed on 17 January 2024. There were around 450 responses which are currently being analysed. A report on the outcome will be included within the MTFS report to the Cabinet on 9 February 2024.

Results of Scrutiny Process

93. The Overview and Scrutiny Committees and the Scrutiny Commission have received detailed reports on the revenue budget and capital programme proposals, which can be viewed via the County Council's website (www.leicestershire.gov.uk). A summary of the comments arising from the meetings of Scrutiny bodies will be presented with the MTFS report to the Cabinet on 9 February 2024.

Equality and Human Rights Implications

94. Under 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.

95. Given the nature of the services provided, many aspects of the Council's MTFS will affect service users who have a protected characteristic under equalities legislation. An assessment of the impact of the proposals on the protected groups must be undertaken at a formative stage prior to any final decisions being made. Such assessments will be undertaken in light of the potential impact of proposals and the timing of any proposed changes. Those detailed assessments will be revised as the proposals are developed to ensure that decision-makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic as well as information to enable proper consideration of the mitigation of the impact of any changes on those with a protected characteristic.

96. A high-level Equalities and Human Rights Impact assessment of the MTFS 2023-27 was completed last year 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.

97. This assessment will be revised and updated for the new MTFS 2024-28 and included in the proposed MTFS to the Cabinet in February 2024. Many of the proposals in the MTFS were agreed as part of the decision to adopt the previous MTFS, and others are amendments to existing plans that have already been agreed.

98. Overall, the previous assessment found that the Council's budget changes will have the potential to impact older people, children and young people, working age adults with mental health or disabilities and people with disabilities more than people without these characteristics. This is as expected given the nature of the services provided by the Council. The findings between April 2019 and March 2023 of the Leicestershire Community Insight Survey found that a significantly higher percentage of women, non-white British people, people with health problems, people with a disability, people with a sexual orientation other than heterosexual and people who receive care support responded that they had been affected a "fair amount" or a "great deal" by national and local public sector cuts.

99. There are several areas of the budget where there are opportunities for positive benefits for people with protected characteristics both from the additional investment the Council is making into specialist services and to changes to

existing services which offer improved outcomes for users whilst also delivering financial savings.

100. If as a result of undertaking an assessment, potential negative impacts are identified, these will be subject to further assessment.

101. 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. 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

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

Environmental Implications

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

Partnership Working and Associated Issues

104. 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

105. 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 2023-24 – 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

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APPENDIX A

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**	2,540	16,100	-2,305	**117,107**		7,850	-4,090	**120,867**		8,540	-3,650	**125,757**		8,820	-3,500	**131,077**
Adults & Communities	**186,882**	21,153	24,295	-6,445	**225,885**		7,195	-1,770	**231,310**		7,435	-3,860	**234,885**		7,095	-1,325	**240,655**
Public Health **	**-1,806**	0	0	-800	**-2,606**			-90	**-2,696**				**-2,696**				**-2,696**
Environment & Transport	**93,412**	4,897	5,575	-940	**102,944**	500	2,295	-2,225	**103,514**		1,305	-1,195	**103,624**		1,780	-115	**105,289**
Chief Executives	**14,909**	571	345	-300	**15,525**			-15	**15,510**			-10	**15,500**			-10	**15,490**
Corporate Resources	**35,523**	2,061	0	-1,010	**36,574**			-1,665	**34,909**			-495	**34,414**				**34,414**
	429,692	31,222	46,315	-11,800	**495,429**	500	17,340	-9,855	**503,414**	0	17,280	-9,210	**511,484**	0	17,695	-4,950	**524,229**
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**
MTFS Risks Contingency	**10,000**	0			**10,000**	-2,000			**8,000**				**8,000**				**8,000**
Contingency for inflation/ Living Wage	**41,765**	8,235			**50,000**	20,350			**70,350**	21,350			**91,700**	21,950			**113,650**
	485,672	32,957	46,315	-11,800	**553,144**	18,850	27,000	-9,855	**589,139**	21,350	27,000	-9,210	**628,279**	21,950	27,000	-4,950	**672,279**
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**	-400			**-14,000**	7,000			**-7,000**	3,000			**-4,000**	1,000			**-3,000**
Central expenditure	**2,535**	95	150	-80	**2,700**				**2,700**				**2,700**				**2,700**
Total Services & Central Items	**500,652**	24,057	46,465	-11,930	**559,244**	25,550	27,000	-9,855	**601,939**	25,050	27,000	-9,210	**644,779**	23,750	27,000	-4,950	**690,579**
Contributions to budget equalisation earmarked fun	**10,400**				**15,000**				**8,100**				**7,400**				**7,200**
Contributions to/from General Fund	**1,000**				**1,000**				**1,000**				**1,000**				**1,000**
Total Spending	**512,052**				**575,244**				**611,039**				**653,179**				**698,779**
Funding																	
Revenue Support Grant (new burdens)	**-27**				**-30**				**-30**				**-30**				**-30**
Business Rates - Top Up	**-40,527**				**-43,240**				**-44,540**				**-45,250**				**-45,930**
Business Rates Baseline/Retained	**-27,997**				**-31,490**				**-27,450**				**-22,970**				**-23,460**
S31 grants - Business Rates	**-12,090**				**-16,660**				**-17,160**				**-17,440**				**-17,700**
Business Rates Pool - share of Levy	**0**				**-6,500**				**0**				**0**				**0**
Council Tax Precept	**-374,208**				**-397,710**				**-423,820**				**-443,040**				**-463,130**
Council Tax Collection Fund net deficit / (surplus)	**-1,687**				**-2,400**				**-1,000**				**-1,000**				**-1,000**
New Homes Bonus Grant	**-1,257**				**-800**				**0**				**0**				**0**
Improved Better Care Grant etc.	**-14,190**				**-14,190**				**-14,190**				**-14,190**				**-14,190**
Social Care Grant	**-32,012**				**-38,274**				**-38,274**				**-38,274**				**-38,274**
Services Grant	**-2,404**				**-1,500**				**-750**				**0**				**0**
ASC Market Sustainability & Improvement Fund	**-5,653**				**-10,563**				**-10,563**				**-10,563**				**-10,563**
Total Funding	**-512,052**				**-563,357**				**-577,777**				**-592,757**				**-614,277**
VARIANCE	**0**				**11,887**				**33,262**				**60,422**				**84,502**
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 B

CORPORATE & CENTRAL ITEMS

REVENUE BUDGET 2024/25

Net Budget 2023/24 £		*	Employees £	Running Expenses £	Internal Income £	Gross Budget £	External Income £	Net Budget 2023/24 £
	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
10,000,000	**MTFS Risks Contingency**	B	0	10,000,000	0	10,000,000	0	10,000,000
16,629,000	**Contingency for Inflation / Living Wage ****	B	24,000,000	26,000,000	0	50,000,000	0	50,000,000
27,320,000	**TOTAL CORPORATE BUDGETS**		**24,000,000**	**36,000,000**	**0**	**60,000,000**	**-2,285,000**	**57,715,000**
	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
	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	1,254,260	99,540	0	1,353,800	0	1,353,800
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			1,254,260	2,631,540	-271,000	3,614,800	-915,000	2,699,800
	Central Income							
-13,600,000	Bank & Other Interest	B	0	0	0	0	-14,000,000	-14,000,000
13,579,800	**TOTAL CENTRAL ITEMS**		**1,254,260**	**22,681,540**	**-271,000**	**23,664,800**	**-17,565,000**	**6,099,800**

*** S/D/B** : indicates that the service is **S**tatutory, **D**iscretionary or a combination of **B**oth
** 2022/23 contingency of £28.8m transferred to Departmental budgets

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APPENDIX C

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 30/03/28 £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
Other	30	30	30	30	30	30
Budget Equalisation	40,490	56,500	59,670	70,370	77,770	84,970
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	32,920	5,340	2,910	870
Pooled Property Fund investment *	-24,770	-24,770	-24,770	-24,770	-24,770	-24,770
TOTAL	**206,610**	**201,330**	**102,670**	**81,370**	**87,090**	**92,820**
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 D

RESERVES POLICY 2024/25

General Fund

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

Holding non earmarked funds is an essential component of risk management in that it enables the County Council to manage unforeseen financial events 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. Opportunities to increase the general fund will be taken where possible.

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:

- Insurance earmarked reserves – to meet the estimated cost of future claims not covered by insurance policies.
- Renewals – to enable services to plan an effective programme of systems, equipment and vehicle replacement. These earmarked 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.
- Trading accounts and wholly grant funded services - in some instances surpluses in excess of the budgeted level are retained by the service for future investment.
- Other earmarked reserves will be set up from time to time to meet predicted liabilities or unforeseen issues that arise.
- Support one off costs to enable transformational and organisational change.
- Meet commitments made that will be incurred in the future. Examples include; completion of projects, County Council contributions to partnership funding, commitments in the MTFS such as the Capital Programme.

Reserves are not suitable for on-going service commitments.

Given the increased financial pressures, 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.
- 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 save 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 E

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 £449m. External funding from capital grants, section 106 agreements and third party contributions totals £215m. Without this funding being available schemes of any significant size would not be affordable by the Council.

The balance of funding required is £234m 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 £7m p.a. over the next 40 years. This is a significant commitment to the Council given its wider financial pressures.

APPENDIX E

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 E

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 E

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 E

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 £234m. 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 £109m 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 1.5% to 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 £7m 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 £1.5m 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.

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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

APPENDIX E

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.

APPENDIX E

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.

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
		MAIN GRANT FUNDED PROGRAMME					
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	12,650	1,250	0	0	13,900
		Sub-total - SEND Programme	**12,650**	**1,250**	**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
		Other Capital	**3,946**	**2,800**	**2,800**	**2,800**	**12,346**
		Overall Total	**40,997**	**37,537**	**7,767**	**3,500**	**89,801**

		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	1,759	2,222	2,145	1,854	7,980
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
			55,098	**27,584**	**3,060**	**2,321**	**88,063**
		Minor Schemes / Other					
Mar-28	13,600	County Council Vehicle Replacement Programme	3,700	3,357	3,110	3,436	13,603
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	955	234	300	206	1,695
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	9,549
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
			6,325	**6,358**	**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	2,679	2,282	2,291	2,291	9,544
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	1,053	857	857	857	3,624
Mar-28	1,272	Traffic Signal Renewal	281	281	281	281	1,123
Mar-28	10,947	Preventative Maintenance - (Surface Dressing)	3,801	3,013	3,013	3,013	12,839
Mar-28	30,628	Restorative (Patching)	8,095	7,445	7,349	7,739	30,628
Mar-28	67	Public rights of way maintenance	19	15	17	17	67
Mar-28	262	Network Performance & Reliability	70	61	65	65	262
			18,823	**19,484**	**24,476**	**29,024**	**91,806**
		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	**81,005**	**54,487**	**38,935**	**35,364**	**209,790**

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		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		582
		Sub total Transformation Unit	**1,844**	**1,293**	**1,530**	**909**	**5,576**
		Property Services					
Mar-25	110	Data Centre UPS replacement	110				110
Mar-25	85	Bassett Centre window replacement	85				85
Mar-25	100	Snibston Scheduled Ancient Monument	100				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	9,454	0	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	**34,767**	**7,933**	**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	**35,267**	**19,933**	**23,200**	**38,395**	**116,795**

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

Leicestershire County Council

SCRUTINY COMMISSION: 29TH JANUARY 2024

MEDIUM TERM FINANCIAL STRATEGY 2023/24 – 2026/27 CHIEF EXECUTIVE'S DEPARTMENT

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

Purpose of Report

1. The purpose of this report is to:

   a) provide information on the proposed 2024/25 to 2027/28 Medium Term Financial Strategy (MTFS) as it relates to the Chief Executive's Department; and

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

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2023. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2024/25 to 2027/28 was considered by the Cabinet on 19th December 2023.

Background

3. The MTFS is set out in the report to Cabinet on 19th December 2023, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Chief Executive's Department.

4. Reports such as this one have been presented to the relevant Overview and Scrutiny Committees which is the Commission for this department. The Cabinet will consider the results of the scrutiny process on 9th February 2024 before recommending an MTFS, including a budget and capital programme for 2024/25, to the County Council on 21st February 2024.

Service Transformation

5. The functions delivered by the Chief Executive's Department play critical roles in supporting transformation and lawful decision-making in accordance with

public sector legal and governance requirements. The Department takes the corporate lead on developing and delivering the Strategic Plan and the Communities Strategy. The work of the Chief Executive's Department includes: Legal Services, Democratic and Civic and Member Support, Strategy and Business Intelligence (including Resilience, Communities, Economic Growth and Planning and the Historic and Natural Environment) and Regulatory Services which includes Trading Standards, Registration and Coronial services the latter of which is subject to consideration in relation to future arrangements.

6. The Department has resilience responsibilities (including, for example, in relation to issues such as the Council's response to Covid-19, flooding and other severe weather events and cases of Avian Influenza) through the involvement of Departmental Management Team (DMT) members, Heads of Service and the partnership-funded Resilience Team.

Proposed Revenue Budget

7. Table 1 below summarises the proposed 2024/25 revenue budget and provisional budgets for the three years thereafter. The proposed 2024/25 revenue budget is shown in detail in Appendix A.

Table 1 – Revenue Budget 2024/25 to 2027/28

	2024/25 £000	**2025/26 £000**	**2026/27 £000**	**2027/28 £000**
Original prior year budget	14,909	15,525	15,510	15,500
Budget transfers and adjustments	571	0	0	0
Add proposed growth (Appendix B)	345	0	0	0
Less proposed savings (Appendix B)	-300	-15	-10	-10
Proposed/Provisional budget	**15,525**	**15,510**	**15,500**	**15,490**

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

9. The 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.

10. The total proposed expenditure budget for 2024/25 is £21.4 million with contributions from grants, fees and charges and other income sources totalling £5.9 million. The proposed net budget for 2024/25 of £15.5 million is distributed as shown in Table 2 below:

Table 2 - Net Budget 2024/25

	£000	%
Democratic Services and Civic and Member Support	1,585	10.0
Legal Services	4,640	30.0
Strategy and Business Intelligence	5,006	32.3
Emergency Management and Resilience	364	2.3
Regulatory Services	3,492	22.5
Planning, Historic and Natural Environment	586	3.8
Departmental Items	-148	-0.9
Total	**15,525**	**100.0**

Budget Transfers and Adjustments

11. Budget transfers totalling a net increase of £0.6million were made during the 2023/24 financial year. The majority of this relates to the inflationary uplift of £0.4 million for the Coroner's budget following the increase in University Hospitals of Leicester NHS Trust's costs.

12. Budget transfers to cover the additional costs associated with the 2023/24 pay award are still to be finalised but will be reflected in the final MTFS to be reported to Cabinet.

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

    * item unchanged from previous MTFS

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

    No stars - new item

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

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

Growth

16. Details of proposed growth are set out in Appendix B and provide for an additional £0.345 million per annum by 2024/25. These are described in the following paragraphs.

17. G27 Trading Standards – Additional Resources; £150,000 in 2024/25

The Trading Standards Service continues to experience an increase in demand from external factors: new burdens on food safety and other enforcement, an increase in consumer fraud and the increase in the number and diversity of businesses operating in Leicestershire. There is insufficient capacity to address this additional demand and the service requires an additional £150,000 per annum to increase staffing resource by 3.0 FTE Grade 11 Trading Standards Officers which is essential to manage the delivery of the Council's statutory duties. Without additional resources the risks of reputational and legal challenge will increase as more high-risk incidents are not identified or actioned for further enquiries. There is also a potential risk to health.

18. G28 Legal Services – Additional Property & Environment Solicitors; £140,000 in 2024/25

Legal Services is seeking growth to meet the costs of two additional FTE solicitors (within grades 11 to 13) to work within its Property and Environment Team. If permanent solicitors are not recruited, client departments will be required to fund locum support. It is intended that one solicitor would support the Children and Family Service (by focussing on education sufficiency work) and the second solicitor would support the Environment and Transport Department (by undertaking work in connection with developer agreements). This growth is supported by the relevant service Directors.

19. G29 Legal Services – Additional Adult Social Care Solicitor; £70,000 in 2024/25

An additional 1.0 FTE solicitor (grades 11 to 13) is required within the Adult Social Care legal team. This growth is to meet the increased demand for legal representation in the Court of Protection (COP) as a result of a sustained increase in welfare applications made by the County Council since Covid, which have risen from an historical average of 7 cases a year to an average of 18 a year post Covid (period 01/01/20 to date), and a very significant increase in appeals against deprivation of liberty authorisation assessments to the COP. Numbers are forecast to reach 80 this calendar year - in comparison with a previous average of 32 for the calendar year 2022. The total cost of an in-house solicitor is £70,000 (including on costs) compared to an approximate cost of £170,000 to outsource the extra work to private practice. This growth is supported by the relevant service Director.

20. G30 Demand Management; -£15,000 in 2024/25

Growth requests have been offset by a target £15,000 reduction from demand management activities. As yet, no specific measures have been identified, however, the Department will develop an action plan to manage demand in the growth bid areas.

Savings

21. Details of proposed savings are set out in Appendix B and total £0.335m by 2027/28. These are detailed in the following paragraphs.

22. *CE1: SR/Eff Staffing (Vacancy control and agency reduction); £50,000 in 2024/25

All vacancies are scrutinised via the Department's recruitment and expenditure board assisted by advice from Corporate Resources and HR Business support and are now subject to further enhanced Level 2 controls. Where there is a vacancy, there is generally a time lag between the postholder leaving and a new appointee starting, which will also contribute to the savings.

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

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

The increased planning application fees targets were based on historic income trends, which had shown a steady increase in planning application fees income. However, in 2022/23 there was a significant reduction in planning application fees income, and this trend has continued in the 2023/24 financial year.

There has been a national review of planning fees with an increase of 35% for major developments and 25% for all other developments. The increase came into force on the 6th December 2023. Whilst the increase is to be welcomed it is not within the County Councils control as to how many and when planning applications are to be submitted.

24. *CE3: Inc Democratic Services Income; £5,000 in 2024/25 rising to £10,000 in 2025/26

Democratic Services provides services to the following external bodies ESPO, the Combined Fire Authority and the Pensions Board. As part of the MTFS the section has undertaken a review of its charges. That review also included an agreement to allow for an annual uprating to allow for pay and other inflationary increases.

25. CE4: Eff Democratic Services Staffing Review; £15,000 in 2024/25

The Democratic Services Head of Service (HoS) Action Plan proposed a change to the senior management structure of the service. The resulting reduction of 0.2 FTE HoS has been reflected as a saving.

26. CE5: SR Civic Hospitality Review; £20,000 in 2024/25

Following Covid, a number of functions have not been reinstated resulting in the proposed saving.

27. CE6: Eff Trading Standards Review; £15,000 in 2024/25 rising to £45,000 in 2027/28

The Trading Standards service review undertaken by the Transformation Unit identified a number of additional income opportunities and efficiencies.

28. CE7: Inc Police and Crime Panel Contribution; £50,000 in 2024/25

From 2024/25, the County Council assumes responsibility for hosting the Police and Crime Panel from Leicester City Council. The additional income is in the form of a grant from the Home Office.

29. CE8: Inc Registrars Fees and Income £120,000 in 2024/25

The current wedding ceremony diary projects greater demand for wedding ceremonies and fees not controlled by statute will be increased by 5% per annum for the next 3 years.

30. Considering the scale of the challenge faced by the Council to balance the MTFS, existing financial control measures are being reinforced and new ones being applied to ensure a tight focus on eliminating non-essential spend. Inevitably, further savings beyond those identified in this report will be needed and where possible included in the final MTFS.

Savings Under Development

31. SUD 1: Increased Income Generation

Increased income generation from partners and other bodies by leveraging an increase in existing charges and exploring further support provision. A number of areas are in scope including but not limited to: Business Intelligence, Ecology and heritage advice, Freeport Accountable Body and support services and additional Planning, Historic and Natural Environment fee income.

32. SUD 2: Process and Service Efficiencies

No savings identified yet. 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.

33. SUD 3: Biodiversity Net Gain

No savings identified yet. 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.

External Influences

34. The Levelling Up and Regeneration Act 2023 is likely to create additional demand on most sections of the Department.

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

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

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

Other Funding Sources

38. For 2024/25, the following Government grant is expected:
The Local Reform and Community Voices Grant (£294,000 expected in 2023/24) provides funding to support the local Healthwatch and Independent Complaints Advocacy services. Local Healthwatch is the consumer champion for patients and the public in health and social care. The Independent Complaints Advocacy Service (ICAS) provides support to people who wish to make a complaint about the service they have received from the NHS. The level of funding has yet to be confirmed for both 2023/24 and 2024/25.

Capital Programme

39. The Chief Executive's Department capital programme totals £0.1 million in 2024/25 and £0.2m over the four years. The detail is provided at Appendix C and in the following paragraph.

40. Legal Case Management System

    There are ongoing concerns in relation to the functionality of the legal case management software in use, which does not currently provide sufficient detail to be able to support a data driven approach to improving work/case load planning, make efficiencies and streamline processes. Investigations are currently underway to establish if an upgrade or add-on to the current package is possible to provide the necessary case management tools for Legal Services without the cost and disruption of introducing a new system. If this is not possible, a review of available systems on the market and a cost benefit analysis will be undertaken ahead of a new system being procured.

Background Papers

Cabinet 19 December 2023 - Medium Term Financial Strategy 2024/25 to 2027/28
https://politics.leics.gov.uk/documents/g7081/Public%20reports%20pack%20Tuesday%2019-Dec-2023%2014.00%20Cabinet.pdf?T=10

Circulation under Local Issues Alert Procedure

None.

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List of Appendices

Appendix A – Revenue Budget 2024/25

Appendix B – Growth & Savings 2024/25– 2027/28

Appendix C – Capital Programme 2024/25– 2027/28

Equality implications

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

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

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

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

Human Rights Implications

44. There are no human rights implications arising from the recommendations in this report.

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APPENDIX A

CHIEF EXECUTIVE'S DEPARTMENT

REVENUE BUDGET 2024/25

Budget 2023/24 £		*	Employees £	Running Expenses £	Internal Income £	Gross Budget	External Income £	Net Total £
	DEMOCRATIC SERVICES, ADMIN & CIVIC AFFAIRS							
1,444,459	Democratic Services and Administration	B	1,433,109	88,850	0	1,521,959	-122,500	1,399,459
69,000	Subscriptions	D	0	69,000	0	69,000	0	69,000
136,706	Civic Affairs	D	30,896	91,810	0	122,706	-6,000	116,706
1,650,165	**TOTAL**		**1,464,005**	**249,660**	**0**	**1,713,665**	**-128,500**	**1,585,165**
4,454,473	**LEGAL SERVICES**	D	4,093,336	1,733,828	-645,691	5,181,473	-542,000	4,639,473
	STRATEGY AND BUSINESS INTELLIGENCE							
1,681,220	Business Intelligence	D	2,249,086	205,373	-538,194	1,916,265	-235,045	1,681,220
1,466,268	Policy and Communities	B	832,257	1,078,538	-45,088	1,865,707	-399,439	1,466,268
1,375,684	Growth Service	B	963,833	270,270	-20,167	1,213,936	-11,300	1,202,636
656,358	Management and Administration	B	709,669	2,800	-56,111	656,358	0	656,358
5,179,530	**TOTAL**		**4,754,845**	**1,556,981**	**-659,560**	**5,652,266**	**-645,784**	**5,006,482**
363,740	**EMERGENCY MANAGEMENT AND RESILIEN(**	S	760,466	184,543	-46,484	898,525	-534,785	363,740
	REGULATORY SERVICES							
1,869,138	Trading Standards	B	2,127,190	138,000	-60,000	2,205,190	-201,052	2,004,138
1,596,810	Coroners	S	0	1,596,810	0	1,596,810	0	1,596,810
11,162	Registrars	S	1,192,965	65,400	0	1,258,365	-1,367,203	-108,838
3,477,110	**TOTAL**		**3,320,155**	**1,800,210**	**-60,000**	**5,060,365**	**-1,568,255**	**3,492,110**
437,593	**PLANNING SERVICES**	B	1,492,180	161,910	-29,911	1,624,179	-1,038,537	585,642
-82,955	**DEPARTMENTAL ITEMS**	D	11,880	-159,835	0	-147,955	0	-147,955
15,479,656	**TOTAL CHIEF EXECUTIVES**		**15,896,867**	**5,527,297**	**-1,441,646**	**19,982,518**	**-4,457,861**	**15,524,657**

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

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APPENDIX B

References				2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
			GROWTH				
			Demand & cost increases				
			Trading Standards - Additional Resources	150	150	150	150
			Legal Services - Additional Property & Environment Solicitors	140	140	140	140
			Legal Services - Additional ASC Solicitor	70	70	70	70
			Demand Management	-15	-15	-15	-15
			Total	**345**	**345**	**345**	**345**
			SAVINGS				
*	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
*	CE4	Inc	Democratic Services income	-5	-10	-10	-10
		Eff	Democratic Services Staffing Review	-15	-15	-15	-15
		SR	Civic Hospitality Review	-20	-20	-20	-20
		Eff	Trading Standards Review	-15	-25	-35	-45
		Inc	Police and Crime Panel Contribution	-50	-50	-50	-50
		Inc	Registrars fees and income	-120	-120	-120	-120
			Total	**-300**	**-315**	**-325**	**-335**

* items unchanged from previous Medium Term Financial Strategy

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

Eff = Efficiency saving; SR = Service reduction; Inc = Income

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APPENDIX C

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2024/25 to 2027/28 - Draft

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	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					

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Leicestershire County Council

SCRUTINY COMMISSION: 29th JANUARY 2024

MEDIUM TERM FINANCIAL STRATEGY 2024/25–2027/28 CORPORATE RESOURCES DEPARTMENT

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of Report

1. The purpose of this report is to:

   a) Provide information on the proposed 2024/25 to 2027/28 Medium Term Financial Strategy (MTFS) as it relates to the Corporate Resources Department.

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

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2023. This has been the subject of a comprehensive review and revision considering the current economic circumstances. The draft MTFS for 2024/25–2027/28 was considered by the Cabinet on 19th December 2023.

Background

3. The MTFS is set out in the report to Cabinet on 19th December 2023, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Corporate Resources Department.

4. Reports such as this one is being presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process on 9th February 2024 before recommending a MTFS, including a budget and capital programme for 2024/25 to the County Council on the 21st February 2024.

Service Overview and Financial Control Measures

5. Corporate Resources (CR) provides front line, traded and support services to enable the organisation to operate efficiently and effectively. The department is taking a leading role on the Customer, Digital and Automation, Ways of Working and Sustainable Support Services agendas.

6. Demand for CR services remain high as the organisation continues to develop whilst also responding to unprecedented levels of change required in response to economic

pressures, driving the need for significant financial savings, as well as staff recruitment challenges and other market pressures.

7. Given the increasingly challenging financial outlook, in addition to the plans set out in the MTFS, there is a need to ensure that financial controls are tightly operated, and additional measures introduced to restrict expenditure.

Proposed Revenue Budget

8. **Table 1** below summarises the proposed 2024/25 revenue budget and provisional budgets for the next three years. The proposed 2024/25 revenue budget is shown in detail in Appendix A.

Table 1 – Revenue Budget 2024/25 to 2027/28

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Original prior year budget	35,523	36,574	34,909	34,414
Budget transfers and adjustments	2,061	0	0	0
Add proposed growth	0	0	0	0
Less proposed savings (Appendix B)	-1,010	-1,665	-495	0
Proposed/Provisional budget	**36,574**	**34,909**	**34,414**	**34,414**

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

Other Changes and Transfers

10. Several budget transfers, totalling a net increase of £2.1m, have been made during the 2023/24 financial year. The majority of these transfers are largely in relation to cost increases for inflation transferred from the central inflation contingency relating primarily to property, maintenance costs, ICT and Insurance. Budget transfers to cover the additional costs associated with the 2023/24 pay award are still to be finalised and will be reflected in the final MTFS to be reported to Cabinet on 9th February.

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

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

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

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

Growth

14. There are no current MTFS growth requirements for the corporate resources department over the period of the revised MTFS. Although this position will be kept under continual on-going review.

Savings

15. The MTFS proposed savings for Corporate Resources total £1m for 2024/25 rising to £3.2m by 2026/27. The savings are summarised in the table below and Appendix B with more detail in the next section.

Summary CR Savings 2024/25 to 2027/28

			SAVINGS	2024/25	2025/26	2026/27	2027/28
			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 & Digital 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
			TOTAL	**-1,010**	**-2,675**	**-3,170**	**-3,170**

16. <u>*CR1 (Eff/Inc) Ways of Working – Use of office space - £70k in 2024/25 rising to £780k by 2025/26</u>

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

Savings expected to be generated from reductions in property rental costs, service charges and running costs as premises are exited; rationalised or sold as part of the original workplace strategy, as well as increased income generation through further rental income for the County Hall campus.

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

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

17. *CR2 (Inc) Investment in Leicestershire Programmes (IiLP)) - £100K from 2024/25

The Council directly owns and manages properties, including Industrial, Office and County Farms as part of the Investing in Leicestershire Programme (IiLP). The fund also includes financial investments ("diversifiers") outside of direct property ownership, for example private debt, infrastructure, bank risk sharing and pooled property investments. These investments provide diversification for the IiLP.

The fund is held for the purposes of supporting the delivery of various economic development objectives. 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).

Subject to satisfactory business cases, including securing the necessary commercial agreements and planning permission, there is the potential to increase the level of savings in future years.

18. *CR3 (Inc) Place to Live – Accommodation income - £40k in 2024/25

The Council has invested in developments linked to Social Care Investment Programme objectives and Children's Innovation Partnership, which looks to create provision for 20 plus child residential placements. This saving represents the rental income from this arrangement, recognising the capital investment.

19. *CR4 (Eff) Customer Programme - £110k in 2024/25 rising to £640k by 2025/26

This is a cross cutting corporate programme; the vision is that "people will be able to communicate with our services quicker and easier, through modern and accessible ways". The programme will develop a future target operating model for how the Council interacts with its external customers, within this creating clarity around the role of the Customer Service Centre and efficiencies available to departments, such as more cost-effective solution e.g., moving from phone calls to signposting to information on the website.

20. *CR5 (Eff) Operational Finance process improvement - £50k from 2024/25 increasing to £100k from 2025/26

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

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

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

Additional benefits will be leveraged from maximising supplier early payment discounts via third party suppliers who provide setup and management of the process for obtaining discounts for early settlement of invoices in exchange for a proportion of the savings.

21. *CR6 (Eff) Transformation Unit Efficiencies - £70k in 2026/27

Following a review of the TU’s operations and structure in 2021 the resulting service plan provides for ongoing efficiencies through improved ways of working – primarily focused on reducing management costs and improving the connections to departmental decision making.

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

22. *CR7 (SR) Sale of Castle House - £15k in 2024/25

Castle House is an LCC owned property that is currently let, and selling enables net revenue savings from avoided costs such as repairs and maintenance. The sale of Castle House completed in January 2024.

23. **CR8 (Eff) Energy Initiatives: -£50k in 2024/25 rising to £100k by 2025/26

LCC currently spends around £1.6m per annum on utilities cost (electricity, natural gas, and water) for its buildings and property estate (over 85 buildings with key sits including County Hall, Romulus Court, Beaumanor Hall, and Mountsorrel and Croft Highways Depots)

Officers within Strategic Property have been tasked to scope, cost, prioritise, plan, and implement energy generation and efficiency improvement works for LCC’s ongoing property estate; reducing grid provided energy demand, reducing related carbon emissions generation, progressing building efficiency, and cost effective supply strategy. This work is considered important both for LCC’s stated aim of becoming a net zero carbon organisation, and financially in terms of reducing ongoing energy purchase costs and exposure to potential future energy price rises.

24. *CR9 (Eff) ICT Efficiencies - £0.3m in 2024/25 rising to £1.025m by 2026/27

Following a review undertaken with consultants Gartner, several changes are proposed in the following workstreams to result in efficiencies including:

- Reskilling and reorganising teams to support the new Digital, Data, Technology approach.
- Removal and refocusing of Technology and its Architecture to reduce complexity, licensing requirements and allow a focusing of skill sets and service cover.
- A review of support and consultancy contracts with a view to optimising the costs and value achieved.

25. **CR10 (Eff) Reduce Property running costs £35k in 2024/25 rising to £60k by 2025/26

Efficiency savings will be achieved through reduced maintenance expenditure across the LCC estate, including the County Hall site. For example, merging the reception and car park security activities and review of post/print activities.

26. CR11 (Eff) Review of Mobile Phones Tariff - £90k in 2024/25

The mobile lines and minutes contract with current provider expired in August 2023. A new contract has since been awarded allowing LCC to realise £90k annual revenue savings.

27. CR12 (Eff) Insurance claims management benefit - £150k in 2024/25

A review of the Council's past and forecast labilities claims has been undertaken claims. The track record or risk management and ability to defend against claims has allowed the annual provision against claims to be reduced**.**

28. Considering the scale of the challenge faced by the Council to balance the MTFS, existing financial control measures are being reinforced and new ones are being applied to ensure a tight focus on eliminating non-essential spend. Inevitably, further savings beyond those identified in this report will be needed and where possible included in the final MTFS.

Savings Under Development

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

- 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.

  A programme of rolling service efficiency reviews has commenced in Corporate Resources, with Operational and Strategic Property Services the first services selected. Scoping commenced in September 2023 with the aim of seeking further efficiencies. An external partner is current being sought to assist with the review.

- Tax Opportunities
  Third-party consultant providing expertise and resource to review any opportunities for further tax savings across the Council, with the potential to include savings in relation to VAT and payroll taxes.

- Reducing the Cost of the property estate
  A 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.

  A particular focus will be the cost of Business Rates. An external consultant, with specialist knowledge and experience of dealing with rating reviews, has been commissioned to work alongside the County Council.

- Mobile Phone Estate
  The number of smartphones and data connections across the authority was increased because 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

30. 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.

31. Prevention Review

A review of Prevention activity across the authority as part of a series of corporate reviews targeted with securing medium-term financial savings for the Council to be included in future revisions of the Medium-Term Financial Strategy. 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.

32. 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.

33. 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.

34. 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.

Corporate Resources Capital Programme

35. The proposed CR capital programme totals £9.97m over the next four years including £2.85m in 2024/25 as summarised in the table below and Appendix C and described in more detail in the following paragraphs.

Summary CR Capital Programme 2024/25 to 2027/28

	2024/25	2025/26	2026/27	2027/28	Total
ICT	479	539	190	2,462	**3,670**
Ways of Working	1,844	1,293	1,530	909	**5,576**
Property Services	295	0	0	0	**295**
Climate Change - Environmental Improvements	231	100	100	0	**431**
	2,849	**1,932**	**1,820**	**3,371**	**9,972**

36. ICT - £479k in 2024/25 amounting to £3.6m over the MTFS period

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

37. Ways of Working programme - £1.8m in 2024/25 amounting to £5.6m over the MTFS period

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

The investment is based on changing office infrastructure costing £0.4m in 2024/25 (£0.4m across the MTFS); PC's and Laptops costing £0.9m 2023/24 (£4.6m across the MTFS) and property costs costing £0.6m 2023/24 (£0.6m across the MTFS).

The associated £0.8m annual savings from this investment by year 4 are outlined in CR1. Additional savings are expected to materialise in other departments via increased efficiency and reduced travel costs.

38. Property major end of life maintenance - £0.3m in 2024/25 and in total over the four year MTFS

For 2024/25 the programme includes:

- £0.1m (£0.1m across the MTFS) for the replacement of Data Centre UPS
- £0.1m (£0.1m across the MTFS) for the essential replacement of Bassett Centre windows
- £0.1m (£0.1m across the MTFS) for the essential maintenance of Snibston Ancient Monument

39. Climate Change - environmental Improvements - £0.2m in 2024/25 amounting to £0.4m over the MTFS period.

"Clean and Green" is one of the Council's key strategic aims reflecting the need to protect and enhance the environment and tackle climate change.

The 2015 Paris Agreement requires countries to limit temperature rise to below 1.5 to 2°C. Government has committed to reducing the UK's net emissions of greenhouse gases to zero by 2050.

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

- £0.1m (£0.3m across the MTFS) to investigate other energy initiatives.

Corporate Resources Capital Programme - Future Developments

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

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

- Strategic property: Further repair works on Snibston Ancient Monument, Snibston Block C remediation and resurfacing works at Beaumanor Hall.

- ICT Investment: There is a need for significant investment in the ICT infrastructure including data centres and data storage, telephony and security.

- Country Parks: A number of initiative are being scoped to generate additional income from country parks including: development of café and community/work space; expansion of ANPR ticketless car parking at various country parks, and refurbishment of Broombriggs Farm cottage for short hold tenancy/holiday rental.

- Climate change: Continued development of Energy asset upgrades to corporate buildings to reduce running costs, and deliver on corporate energy strategy, environmental strategy and climate targets.

Equality Implications

42. Under the Equality Act 2010 local authorities are required to have due regard to the need to:

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

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

44. There are several areas of the budget where there are opportunities for positive benefits for people with protected characteristics both from the additional investment the Council is making into specialist services and to changes to existing services which offer improved outcomes for users whilst also delivering financial savings.

45. If, as a result of undertaking an assessment, potential negative impacts are identified, these will be subject to further assessment.

46. 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

47. 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.

Background Papers

Cabinet : 19th December 2023 – Medium Term Financial Strategy 2024/25 to 2027/28
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7081&Ver=4

Circulation under local issues alert procedure

None.

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Appendices

Appendix A – Revenue Budget 2024/25
Appendix B – Growth and Savings 2024/25 – 2027/28
Appendix C – Capital Programme 2024/25 – 2027/28

APPENDIX A

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							
2,860,098	Strategic Property	D	2,191,364	1,650,882	-557,658	3,284,588	-414,490	2,870,098
2,291,156	Audit and Insurance	S	1,855,831	3,339,167	-1,328,837	3,866,161	-1,725,005	2,141,156
4,682,842	Strategic Finance and Pensions	S	6,450,467	458,919	-2,001,788	4,907,598	-224,756	4,682,842
453,311	Corporate Resources Unallocated	D	109,670	347,641	-54,000	403,311	0	403,311
1,227,695	Commissioning Support	B	1,361,647	35,131	-105,000	1,291,778	-64,083	1,227,695
11,515,102			**11,968,979**	**5,831,740**	**-4,047,283**	**13,753,436**	**-2,428,334**	**11,325,102**
2,531,390	**East Midlands Shared Services**	B	**4,371,147**	**2,147,702**	**-348,248**	**6,170,601**	**-3,639,211**	**2,531,390**
	AD IT, Communications & Digital, Customer Services							
12,510,871	Information Technology	B	7,808,698	5,053,743	-741,570	12,120,871	0	12,120,871
1,226,535	Communications & Digital Services	D	1,412,154	213,771	-390,090	1,235,835	-9,300	1,226,535
1,292,718	Customer Service	D	1,323,096	-39,624	-100,754	1,182,718	0	1,182,718
15,030,124			**10,543,948**	**5,227,890**	**-1,232,414**	**14,539,424**	**-9,300**	**14,530,124**
	Commercialism							
	LTS Catering							
154,130	Leisure & Hospitality	D	675,678	627,456	-13,292	1,289,842	-1,135,712	154,130
484,702	Education Catering	D	10,785,329	5,184,652	-2,399,884	13,570,097	-13,085,395	484,702
18,195	Beaumanor	D	1,294,744	725,350	-25,599	1,994,495	-1,976,300	18,195
27,524	Country Parks	D	562,756	426,265	0	989,021	-961,497	27,524
684,551			13,318,507	6,963,723	-2,438,775	17,843,455	-17,158,904	684,551
	LTS Professional & Other Services							
-43,220	Bursar Service	D	187,272	14,536	-50,028	151,780	-195,000	-43,220
-102,494	LEAMIS	D	609,286	206,400	-653,180	162,506	-265,000	-102,494
-57,198	HR Services	D	1,143,335	85,138	-140,533	1,087,940	-1,145,138	-57,198
-202,912			1,939,893	306,074	-843,741	1,402,226	-1,605,138	-202,912
-709,445	**LTS Infrastructure**	D	235,458	121,429	-1,066,332	-709,445	0	-709,445
-227,806	**Total Commercialism**		**15,493,858**	**7,391,226**	**-4,348,848**	**18,536,236**	**-18,764,042**	**-227,806**
	AD Corporate Services							
	Operational Property							
5,684,862	Building Running Costs	B	205,482	6,451,245	-30,000	6,626,727	-1,229,365	5,397,362
2,835,300	Building Maintenance	B	0	4,177,800	-1,350,000	2,827,800	0	2,827,800
2,082,168	Operational Property	B	2,029,888	244,280	-217,000	2,057,168	0	2,057,168
66,383	Traveller Services	B	250,969	59,760	-15,000	295,729	-229,346	66,383
10,668,713			2,486,339	10,933,085	-1,612,000	11,807,424	-1,458,711	10,348,713
	Corporate Services							
999,370	Business Support Services	B	1,083,282	166,140	-232,612	1,016,810	-17,440	999,370
703,923	Management	B	734,535	11,144	-41,756	703,923	0	703,923
2,214,730	Human Resources	B	2,635,948	102,608	-510,126	2,228,430	-13,700	2,214,730
1,450,645	Learning & Development	B	1,679,426	81,134	-143,237	1,617,323	-166,678	1,450,645
-297,519	LTS Property Services	B	3,156,103	1,500,671	-3,849,310	807,464	-1,104,983	-297,519
1,545,431	Transformation	D	4,030,146	19,000	-2,503,715	1,545,431	0	1,545,431
0	Transformation Projects	D	0	268,000	-268,000	0	0	0
6,616,580			13,319,440	2,148,697	-7,548,756	7,919,381	-1,302,801	6,616,580
17,285,293			**15,805,779**	**13,081,782**	**-9,160,756**	**19,726,805**	**-2,761,512**	**16,965,293**
	Investing in Leicestershire Programme							
-615,300	Rural	D	0	674,539	0	674,539	-1,289,839	-615,300
-1,204,970	Industrial	D	0	1,060,605	-250,000	810,605	-2,015,575	-1,204,970
-4,491,400	Office	D	0	1,399,175	0	1,399,175	-5,890,575	-4,491,400
-2,237,815	Other	D	0	1,910,912	0	1,910,912	-4,148,727	-2,237,815
-8,549,485			**0**	**5,045,231**	**-250,000**	**4,795,231**	**-13,344,716**	**-8,549,485**
37,584,618	**TOTAL CORPORATE RESOURCES**		**58,183,711**	**38,725,571**	**-19,387,549**	**77,521,733**	**-40,947,115**	**36,574,618**

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

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APPENDIX B

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

				2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
			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
			TOTAL	**-1,010**	**-2,675**	**-3,170**	**-3,170**

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APPENDIX C

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		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		582
		Sub total Transformation Unit	**1,844**	**1,293**	**1,530**	**909**	**5,576**
		Property Services					
Mar-25	110	Data Centre UPS replacement	110				110
Mar-25	85	Bassett Centre window replacement	85				85
Mar-25	100	Snibston Scheduled Ancient Monument	100				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					

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SCRUTINY COMMISSION – 29TH JANUARY 2024

DRAFT REVISED INVESTING IN LEICESTERSHIRE PROGRAMME PORTFOLIO MANAGEMENT STRATEGY 2024 TO 2028

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to seek the Commission's views on the draft revised Investing in Leicestershire Programme Portfolio Management Strategy for 2024 to 2028 (attached as Appendix A to this report) which sets out the proposed approach to future asset management and investment.

Policy Framework and Previous Decisions

2. The creation of the Corporate Asset Investment Fund (CAIF) was included in the Medium-Term Financial Strategy 2014/15-2017/18 (MTFS), which was approved by the County Council in February 2014. The Fund was reviewed in 2022 and now forms the Investing in Leicestershire Programme (IILP).

3. In May 2014 the Cabinet established the Corporate Asset Investment Fund Advisory Board comprising five Cabinet members; the Advisory Board becoming the Investing in Leicestershire Programme Board in 2023. The Board acting in accordance with its Terms of Reference considers the ongoing strategic management, development and performance of the portfolio and the merits of any investment opportunities presented by the Director of Corporate Resources.

4. The current IILP Portfolio Management Strategy and the Board's Terms of Reference were approved by the full Council in February 2023 as part of the MTFS 2023-2027.

5. The Strategic Plan 2022-26, approved by County Council on 18th May 2022 sets out five key strategic outcomes- Clean and Green, Great Communities, Improved Opportunities, Strong Economy, Transport and Infrastructure, Safe and Well. The IILP Strategy will seek to make a positive contribution to the delivery of these objectives through measures including the generation of renewable energy, improving the energy efficiency of buildings, maximising opportunities to decarbonise the estate, facilitating the delivery of affordable and quality homes and building a strong economy, generating economic growth.

Background

6. The Council has owned and managed investment properties in the form of the existing Industrial and County Farms estate for many years. These properties are held for the purposes of supporting the delivery of various economic development objectives and to generate revenue and capital returns to the Council.

7. The creation of the CAIF (now IILP) and associated Board in 2014 was aimed at increasing the Council's property portfolio and ensuring investment in a more diverse range of properties, to continue to support economic development and generally increasing the quality and sustainability of the land owned by the Council and the income this generated.

8. The Board, chaired by the Cabinet Lead Member for Resources, is supported by an officer group formed from strategic property, strategic finance and legal services to provide advice on risks, deliverability and financial implications. Specialist property investment support and advice is also available to provide an independent view and robust challenge. Following consideration by the Board, in accordance with the Council's Constitution, the Director of Corporate Resources may make a decision on investments (under his delegated powers) or refer the proposals to the Cabinet for a decision dependent on value.

9. Since the first formal CAIF Strategy was adopted in 2017 it has been reviewed annually and developed to ensure that in addition to maximising financial benefits the portfolio contributes to achieving the County Council's wider strategic goals, being aligned with the Strategic Plans of 2018 and 2022 thereby broadening the purpose of the Programme.

10. The Strategy was further updated in 2019 to reflect the Council's declaration of a Climate Emergency to ensure all Programme developments are, where possible, low carbon and energy efficient.

11. The Strategy was last updated in 2023 when, in addition to aligning this with the Strategic Plan, the Strategy was amended to ensure compliance with the CIPFA Prudential Code and HM Treasury guidance introduced in 2022. This required that the portfolio be focused on the delivery of outcomes that addressed areas of economic and social market failure in addition to delivering the financial benefits necessary to support service provision.

12. Support for the Board has subsequently been expanded to reflect this with officers from other departments, such as Environment and Transport, also now attending where appropriate given the increasing impact of growth infrastructure and Climate Change projects being managed through the Programme. The Council's Growth Service and Planning team (Chief Executive's Department) also provides support as necessary. It has general oversight for the delivery of large growth schemes to ensure these are assessed and prioritised against the resources available and balanced against the need to deliver the aims of the Programme and the Council's Strategic objectives.

The revised Strategy for 2024-28

13. The key priorities of the revised Strategy are to further ensure its alignment with the Council's Strategic Plan 2022 – 26 and address any future financial risk to the Council by having due regard to Government guidance in relation to future investments.

14. In order to maintain access to any potential prudential borrowing over the period of the MTFS it is necessary to ensure that any new investments are compliant with the Prudential Code and HM Treasury guidance. The key requirement is that an authority must not borrow to invest primarily (more than 50% of the reason) for financial return.

15. As such investments may only be made where they are 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. This includes service delivery, housing, and regeneration of areas, that addresses areas of economic or social market failure and should only be made within the Council's area of economic influence. Investments should not be made primarily for yield.

16. The updated Prudential Code does not require authorities to sell existing, primarily for return investment assets, that were acquired (or committed to) prior to November 2020. However, where a Council has an expected need to borrow (internally or externally), as does the County Council for the wider capital programme, the Code requires an annual review of options to exit investments held primarily for return. The reviews should evaluate the benefit of holding such assets with taking out new borrowing and any risk reduction benefits. This will be undertaken annually. The Prudential Code allows continued investment in such assets to maximise their value, including repair, renewal and updating of the properties. All new IILP investments will be assessed to ensure compliance with the updated Prudential Code and HM Treasury guidance.

17. As part of the prudent management of the Council's finances investments will need to continue to be well managed and deliver a financial return commensurate with the level of risk. This is applicable even where the primary purpose is delivery of wider County Council policy objectives.

18. Accordingly, having regard to the above the proposed aims of the IILP Strategy 2024 – 28 continues to ensure investments funded or held in the Programme:

    - Support the objectives of the Council's MTFS, Corporate Asset Management Plan, Strategic Plan, 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 a Net Zero Carbon Plan for the Council by reducing demand for energy and increasing the generation and use of renewable energy.
- Channels 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).

19. A copy of the full revised draft IILP Strategy is appended to this report.

20. The Strategy continues to seek to minimise risk principally by ensuring robust governance arrangements are in place and that investment decisions are only made in light of appropriate financial, commercial and legal advice and in line with relevant statutory guidance and best practice. However, property investment and development will always have an element of risk much of which is outside the control of the Council as it relates to the strength of the wider economy.

21. The Strategy sets out procedures to ensure risks associated with investments are monitored, assessed and mitigated and the Board will continue to play a vital role in this respect.

22. An external review of the portfolio's performance and strategy was undertaken by Hymans Robertson in December 2020 which made recommendations as to future investments going forward in order to ensure financial resilience by maintaining a balanced diverse portfolio of assets. In accordance with the requirement that the portfolio's performance and strategy be reviewed at 3-yearly intervals Hymans Robertson were commissioned to undertake a further review in late 2023.

23. It is anticipated that the review report will be received in advance of this meeting. On receipt, it will be circulated to Members and a presentation made to the meeting by Hymans Robertson providing details of the review and outlining their advice and recommendations. In addition, the Strategy document will be updated to reflect the review recommendations before this is submitted to Cabinet for final approval.

24. It is proposed that this advice will be used to inform all future investment decisions, forming an integral part of all investment assessments which will continue to be supported by full business cases.

25. Members will continue to receive regular MTFS monitoring reports which will include information on the operation of the IILP, as well as an annual report on investment activity undertaken during each financial year which will provide an update on ongoing projects.

Resource Implications

26. The Council is operating in an extremely challenging financial environment. The draft MTFS 2024-28 (the subject of a separate report on the agenda for this meeting) sets out the future challenges and the need for further savings of £162m to be made by 2027/28, of which £85m is unidentified. In light of inflation and other emerging pressures the funding gap has the potential to grow.

27. The draft MTFS 2024-28 identifies net funding of £43m to grow the CAIF to its target level of £260m. The target is funded from a combination of assets pre-dating the creation on CAIF, Treasury Management and one-off revenue resources. No borrowing has been required to date. The changes to the Prudential Code place restrictions on an authority's ability to borrow if investments are made primarily for financial return (yield). To ensure the Council retains the option of borrowing in the future the strategy has been updated to guide future investments.

28. 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 (subject to individual investments being supported by a full business case and 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.

Conclusion

29. The Investing in Leicestershire Programme Portfolio Management Strategy is aimed at maintaining a long term and relatively stable source of income from

existing investments to offset the funding gap in the MTFS, with future management and investment during the period 2024 – 2028 being focused on delivering the Council's wider strategic objectives and addressing areas of economic and social market failure.

Recommendation

30. The Commission is asked to note and comment on the revised Strategy.

Equality Implications

31. There are no equality implications directly arising from this report.

Human Rights Implications

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

Environmental Implications

33. Where possible, the environmental impact of the Fund's developments will be as low as possible and be low carbon and energy efficient.

34. Where possible, and where there is no adverse financial impact, when disposing of land for development, the sale terms will require the purchaser to develop in a sustainable and low carbon way.

Circulation under the Local Issues Alert Procedure

None.

Background Papers

Report to the Cabinet, 14 September 2018 - Corporate Asset Investment Fund Annual Performance Report 2017-18 and Strategy for 2018 to 2022 - https://bit.ly/2NsvaAk

Report to Council, 18 May 2022 – Leicestershire County Council's Strategic Plan 2022 – 2026 - https://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=6482&Ver=4

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Appendix
Draft revised Investing in Leicestershire Programme Portfolio Management Strategy 2024 - 2028

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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%:

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

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

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.

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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SCRUTINY COMMISSION: 29th JANUARY 2024

INTERIM REPORT ON THE TRADED SERVICES STRATEGY

REPORT OF DIRECTOR OF CORPORATE RESOURCES

Purpose of the report

1. The purpose of this report is to provide the Scrutiny Commission with an overview of the themes that were explored in the Traded Services Scrutiny Commission workshop, held in October 2023.

2. It also provides an interim update on the performance of Leicestershire Traded Services (LTS) during 2023/24.

3. Finally, the report sets out some suggested criteria for how the Council's traded services might be evaluated, beyond financial performance alone.

Policy Framework and Previous Decisions

4. In June 2023, Cabinet approved the Traded Services Strategy, which replaced the Commercial Services Strategy. The new mission of the Strategy is "To deliver a financial contribution to Leicestershire County Council through trading of high-quality services with third party organisations."

5. At the heart of the Strategy are seven Strategic Principles. These set out key criteria against which any commercial enterprise within the County Council can be measured. They are not prescriptive as to how commercialism should be delivered, this is contained within individual service plans, but they do set out the framework within which traded services are delivered:

   a. a. Financial Resilience - All services should be able to demonstrate that they are making a true financial contribution to the County Council.
   b. Ethical and transparent trading - In all trading LTS should be guided by the values of Leicestershire County Council.
   c. Expertise – the County Council should only trade in areas where it has an existing expertise.
   d. Mainstreaming commercialism - There are examples of commercial best practice across the County Council and their development should be promoted and encouraged.
   e. Growth and retrenchment - LTS will continue to seek new business opportunities and any existing business that is not managing an acceptable contribution rate should be rapidly reformed within the

Strategy period, or the County Council should divest itself of the business.

f. Brand - Services within the County Council can trade using whatever brand speaks most appropriately to customers.

g. External trading should not detract from the core business of the Council.

6. At its meeting on 12 June 2023 the Scrutiny Commission considered the annual report of the Director of Corporate Resources which provided an update on the performance of Leicestershire Traded Services (LTS) during 2022/23. The report also sought the Commission's views on the revised Traded Services Strategy (previously titled the Commercial Strategy) for 2023-28.

7. Members requested that a Scrutiny Commission workshop be held to discuss in more depth the service action plans and the costs and income generated by all traded services noting the need to manage some commercially sensitive information. This was held in October 2023.

8. Furthermore, it was agreed that a further performance update report be presented to a future Scrutiny Commission meeting.

Background

9. The main traded services delivered by the Council include School Food, Beaumanor Hall, Cafes, Traded HR and Health & Safety, Traded Soft Facilities Management (including cleaning and grounds maintenance), Sites Development and Hard Facilities Management, Century Theatre, LEAMIS and School Financial Services.

10. Some of these services, such as Beaumanor, have been run by the County Council since the 1970s. Others, such as LEAMIS and School Financial Services, were centralised as part of an offer to schools in the 1990s. The newest traded services are the cafes on country parks, which were established around five years ago.

11. In November 2013, the Scrutiny Commission considered progress being made in developing the Council's traded services. It established a Scrutiny Review Panel to look at this in more detail. In 2014 the Panel made several recommendations to the Cabinet, including requesting that a stand-alone trading unit be created as part of the County Council with its own brand and identity, to enable it to have a clear position in the marketplace and link to the Council's corporate branding, building on its reputation for high quality, value for money services. This led to the establishment of Leicestershire Traded Services.

12. Over the years Leicestershire Traded Services (LTS) has, overall, performed well and generated a reasonable income for the Council, particularly in relation to facilities management, HR and Health and Safety. Although the picture has always been mixed across such a broad range of services that

have gradually fallen under ‘Leicestershire Traded Services’. More recently, as reported to the Commission and detailed below, the Service has been hit hard by the Covid 19 Pandemic and subsequent rise in costs and inflation which has affected the level of returns generated in more recent years. It is for this reason that the Scrutiny Commission sought to take a closer look at each of the services within LTS through the Scrutiny Commission Workshop.

<u>Review of the themes explored within the Traded Services workshop</u>

13. The workshop focussed on the main traded services delivered by the Council. Members were provided with some information on why the County Council historically operated each of its traded services. It was noted that the County Council has not set up any traded services from scratch and some, such as School Food, LEAMIS, School Financial Services, Century Theatre or Beaumanor, had been run as part of the local authority for many decades. Without exception the services were originally intended to deliver primarily social benefits, the majority in support of the council's responsibilities as a local education authority. Services had been placed within the Traded Services ‘basket’ to improve their financial performance and to adapt to the rapid increase in academisation of schools. Finally, some services such Traded HR and H&S (Health and Safety) and Facilities Management were natural extensions of the Council’s core corporate service and also had their origins in provision of support to schools.

14. The services had not been set up solely to deliver a financial return to the Council. Originally their purpose was to provide wider benefits beyond the financial. Many services continue to have these wider benefits. Some of these are operational as internal services, such as HR and H&S, are bolstered by the volume of business which reduces core costs and allows the Council to recruit higher quality officers. Other traded services support the maintenance and delivery of key systems used by other directorates, such as LEAMIS’s support for the Synergy system that underpins much of Children and Family Services, or School Food delivering the free school meals service across the County.

15. Other benefits from these services are social benefits to communities around the County and the wider area. These include the public health benefits of the fresh-cook ethos of the school food service, offered to over 30,000 children daily, or the 26,000 children who gain experiences of outdoor activities or a night away at Beaumanor. The Century Theatre offers an arts venue in North West Leicestershire, and a location for many amateur and community dance and drama groups to perform.

16. Generating a meaningful financial contribution became of greater focus following the formal establishment of the Council’s Leicestershire Traded Services in 2014 and in particular, with the continued financial pressure on the County Council, when the requirement to raise additional revenue became a key element of the Council’s Transformation Programme and specifically included in the County Council’s Medium Term Financial Strategy (MTFS) in 2016. For Leicestershire Traded Services however, these wider benefits have

continued to be delivered and are therefore considered when determining the overall benefits of each service.

17. Members noted that services trade at different margins, dependent on the market and nature of their business. For example, the margin on a high volume business such as contract cleaning, was substantially lower than that on a low volume business such as HR consultancy. Therefore, it was important to consider each traded service on its own merits, noting that comparisons based solely upon margin may not be helpful and would not provide the full picture of the benefits generated. Some services may never make a profit, such as the Century Theatre, as very few small regional theatres operate without subsidy. However, its inclusion within the traded 'basket' of services was intended to ensure that it continued to be operated as commercially as possible.

18. Members expressed concern about the current level of financial return from certain services such as cafés and the likelihood of generating a short-term financial contribution from other services, such as Beaumanor and School Food. They were keen to ensure that the County Council was closely monitoring financial performance in all traded services and to consider whether more significant changes needed to be made.

19. Members noted that inflationary pressures have had a significant impact on all traded service margins in the past few years. The local government pay award has added c. 20% costs in two years and the rise in utility costs has been particularly extreme for some sites, such as Beaumanor.

20. Not all services have been able to manage increased costs through increased income in the same proportion. Some services have income capped by central government, such as school food. In other services, the time lag between the pay award being initially offered and finally agreed, meant that pricing could not be easily adjusted. These and other issues have led to squeezed margins in a number of areas.

Overview of performance in individual areas to date and MTFS position 2024/25

21. Beaumanor Hall and Park
    a. Current year financial performance is a forecasted £231k cost.
    b. Income at Beaumanor is set to hit all targets this year or be within a variance of less than 2.5% to target. The Park will have generated the largest amount of income in its history and volumes have returned to pre-covid levels. The Winter Fayre was particularly well attended and generated profit significantly ahead of target.
    c. As previously reported the pay award and energy costs have hit the service particularly hard, adding nearly 100% to costs in the latter case.
    d. The move of the Register Office from Loughborough has been undertaken, although not all ceremonies will be transferred to Beaumanor until April 2024. This will provide the opportunity to cross sell other services to increase overall revenue.

e. The budgeted position service, including the below the line costs is a net cost of £206k in 2024/25.

22. Cafes
a. Current year financial performance is a forecasted £35k contribution.
b. Income at Beacon Hill continues to outperform the budget. Tithe Barn has now moved to a seven day operation.
c. The pay award has added considerably to the costs of both outlets, although the cost of goods has improved, compared to budget.
d. The budgeted position within the MTFS for these services is a net contribution of £24k for Beacon Hill and £12k for Tithe Barn.

23. School Food
a. Current year financial performance is a forecasted £1.6m cost
b. The service is mid-way through a significant transformation programme from its previous loss of £2.7m (2022/23). New contracts have been created with all schools to ensure the future viability of the service at a planned margin.
c. Costs continue to rise with significant food price inflation and wage inflation. This is being managed by a significant restructure of staffing within all kitchens in order to deliver lower costs.
d. We are about to embark upon a period of contract negotiation with our customers to ensure contracts deliver the desired margin.
e. The budgeted position within the MTFS for School Food is a net cost of £485k in 2024/25, moving to a contribution in 2025/26. School Food remains the highest priority service for rapid transformation, given the current poor financial performance.

24. Traded HR
a. Current year financial performance is a forecasted £42k contribution.
b. Income is set to achieve target this year and may be slightly over. This is dependent on the ability to complete commissioned work, such as investigations to enable invoices to be processed before the year end.
c. Operating costs have increased this year due to the pay award and a £20k charge from Legal for the provision of their services.
d. The budgeted position within the MTFS for HR is a contribution of £15k in 2024/25 with the service looking to revamp and expand its offer to improve contribution levels.

25. Traded H&S
a. Current year financial performance is a forecasted £41k contribution
b. Over the last two years income has increased by 24.3% which has been ahead of budget. The increase in income has been led from LA maintained schools converting to academies, new academies joining the service and academies who had left returning. In addition, new business has been expanded in the distribution, service and leisure sectors.
c. Service costs have increased in line with inflation. However, working with our suppliers has enabled the service to control these increases to below the rate of inflation, e.g. software services and training venues.

d. The service continues to provide resilience support to the Corporate Health and Safety Team enabling support to LA maintained schools, governor services and inspection of LTS Catering in academies.
e. The budget provision in 2024 to 2025 remains buoyant with new academies signed up for this financial year and into next. In addition, there are possible new opportunities from the East Midlands Freeport.
f. The budgeted position within the MTFS for H&S is a contribution of £42k in 2024/25.

26. LEAMIS
a. Current year financial performance is a forecasted £140k contribution
b. LEAMIS and School Financial Services are forecast to hit their income target for 2023/24, this is despite an extremely challenging market environment.
c. Service Level Agreements include an 8% increase to cover cost of pay awards/inflation.
d. Work undertaken by LEAMIS to increase the level and breadth of management information system (MIS) accreditation opens multiple new income generation opportunities. This is beginning to win new business and ensures we can continue to support our existing customers should they change MIS.
e. The budget position in the MTFS for 2024/25 is £102k contribution.

27. Century Theatre
a. Current year financial performance is a forecasted £63k cost.
b. Income into the theatre has been lower than forecast this year as we were not able to have the programming levels that had been budgeted. Costs have been reduced accordingly.
c. The theatre had an exceptionally strong Christmas trading period, with the pantomime selling more tickets than in recent years and achieving a public performance occupancy level of over 95%. There is a very strong programme for the Spring and Summer seasons.
d. We have been working with a specialist programmer to diversify and improve the commerciality of the theatre’s programme.
e. The budget position in the MTFS for 2024/25 is £67k.

28. Soft Facilities Management (e.g. cleaning, grounds maintenance)
a. Current year financial performance is a forecasted £181k contribution
b. Soft FM Contract Management has increased the externally traded activity and surplus progressively over the last 5 years and is forecasting to achieve budget again this year.
c. The Soft FM Service are currently engaged in a major re- procurement process of all FM service contracts.
d. The budget position for 2024/25 from external work is a £180k contribution.

29. Sites Development
a. Current year financial performance is a forecasted £111k contribution
b. Income has increased this year due to better profiling of work within the teams and being able to fill vacancies and recruit to three full teams.

c. The current improving position is forecast to achieve a surplus just above the budget position for 23/24.
d. Despite the pay-award, staffing costs have decreased for the last two quarters of the year due to a level of management being removed from the team structure.
e. This restructure has been successful and has resulted in an increase in productivity in addition to a reduction in staffing costs
f. The service is forecasting to achieve the stretch target of £140k contribution for 2024/25

Suggested criteria to evaluate services against

30. The Traded Services Strategy sets out some criteria for why we trade. As we continue to evaluate the performance of Traded Services in the next MTFS period, we are developing a form of prioritisation for traded services to help us with this evaluation.

31. The Commission might like to consider whether the priority afforded to some of these elements is correct:

a. Financial return (versus risk)
b. Fit with LCC's operations (e.g. economies of scale or resilience provided to corporate functions)
c. Area of competitive advantage for LCC
d. Benefits to Leicestershire residents
e. Benefits to Leicestershire businesses/public sector
f. Benefits to communities outside of Leicestershire

32. This prioritisation may form part of the next iteration of the Traded Services Strategy.

Recommendation

33. The Commission is asked to note the interim performance update of Traded Services.

34. The Commission is asked to comment on the proposed criteria to evaluate traded services against and the order of priority and whether the focus of service development in the right areas.

Background Papers

Scrutiny Commission – 12 June 2022 – Commercial Strategy Annual Update and Performance Review https://democracy.leics.gov.uk/mgAi.aspx?ID=75233

Cabinet – 23 June 2023 – Annual Report of the Commercial Strategy and Traded Services Strategy 2023-28
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7077&Ver=4

Circulation under the Local Issues Alert Procedure

None.

Equality Implications

There are no equality implications arising directly from this report. If services change in the future an Equality Impact Assessment will be undertaken as required.

Human Rights Implications

There are no equality implications arising directly from this report.

Officer to Contact

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