Meeting: **Scrutiny Commission**

Date/Time: **Monday, 10 March 2025 at 10.00 am**

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

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

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

Membership

Mr. M. T. Mullaney CC (Chairman)

Mr. N. D. Bannister CC	Mr. T. Gillard CC
Mr. T. Barkley CC	Mr. M. Hunt CC
Mr. M. Frisby CC	Mr. J. Morgan CC
Mrs. H. J. Fryer CC	Mrs. R. Page CC
Mr. S. J. Galton CC	Mr. T. J. Richardson CC

Please note: this meeting will be filmed for live or subsequent broadcast via the Council's web site at http://www.leicestershire.gov.uk

AGENDA

Item		Report by	
1.	Minutes of the meeting held on 10 March 2025		(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 36.		
8.	English Devolution White Paper: Local Government Reorganisation.	Chief Executive, Director of Corporate Resources, and Director of Law and Governance	(Pages 15 - 34)
9.	Leicester and Leicestershire Business and Skills Partnership.	Chief Executive	(Pages 35 - 42)
10.	Medium Term Financial Strategy Monitoring.	Director of Corporate Resources	(Pages 43 - 80)
11.	Date of next meeting.		

The next meeting of the Commission is scheduled to take place on Monday, 9th June 2025 at 10.00am.

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

13. Exclusion of the Press and Public

The public are likely to be excluded during the following item of business in accordance with section 100(a) of the Local Government Act 1972:

- Leicestershire Traded Services Update

14.	Leicestershire Traded Services Update.	Director of Corporate Resources	(Pages 81 - 98)

QUESTIONING BY MEMBERS OF OVERVIEW AND SCRUTINY

The ability to ask good, pertinent questions lies at the heart of successful and effective scrutiny. To support members with this, a range of resources, including guides to questioning, are available via the Centre for Governance and Scrutiny website www.cfgs.org.uk. The following questions have been agreed by Scrutiny members as a good starting point for developing questions:

- Who was consulted and what were they consulted on? What is the process for and quality of the consultation?
- How have the voices of local people and frontline staff been heard?
- What does success look like?
- What is the history of the service and what will be different this time?
- What happens once the money is spent?
- If the service model is changing, has the previous service model been evaluated?
- What evaluation arrangements are in place – will there be an annual review?

Members are reminded that, to ensure questioning during meetings remains appropriately focused that:

(a) they can use the officer contact details at the bottom of each report to ask questions of clarification or raise any related patch issues which might not be best addressed through the formal meeting;

(b) they must speak only as a County Councillor and not on behalf of any other local authority when considering matters which also affect district or parish/town councils (see Articles 2.03(b) of the Council's Constitution).

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Minutes of a meeting of the Scrutiny Commission held at County Hall, Glenfield on Monday, 27 January 2025.

PRESENT

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

Mr. N. D. Bannister CC	Mr. S. J. Galton CC
Mr. T. Barkley CC	Mr. M. Hunt CC
Dr. R. K. A. Feltham CC	Mrs. R. Page CC
Mr. M. Frisby CC	Mr. T. J. Richardson CC
Mrs. H. J. Fryer CC	Mrs B. Seaton CC

In attendance

Mrs D. Taylor CC in remote attendance - Acting Leader and Lead Member for Regulatory Services
Mr L. Breckon CC – Lead Member for Resources
Mr J. Poland CC – Lead Member for Transformation and support for Resources
Mrs P. Posnett CC – Lead Member for Communities and Staff Relations

43. Minutes.

The minutes of the meeting held on 6 November 2024 were taken as read, confirmed and signed.

44. Question Time.

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

45. 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).

46. Urgent Items.

There were no urgent items for consideration.

47. 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.

All Members of the Commission who were also members of district councils declared an ‘Other Registerable Interest’ in the Medium Term Financial Strategy (minutes 50 to 54 refer).

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

There were no declarations of the party whip.

49. Presentation of Petitions under Standing Order 35.

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

50. Provisional Medium Term Financial Strategy 2025/26 - 2028/29

The Commission considered a report of the Director of Corporate Resources which provided information on the proposed 2025/26 – 2028/29 Medium Term Financial Strategy (MTFS) as it related to Corporate and Central items. The report also provided an update on changes to funding and other issues arising since the publication of the draft MTFS and provided details of a number of strategies and policies related to the MTFS. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Chairman welcomed the Acting Leader of the Council, Mrs D. Taylor CC (in remote attendance), and Cabinet Lead Member for Resources, Mr L. Brecon CC, to the meeting for this item.

In presenting the report the Director commented that the Council faced uncontrollable pressures which would lead to significant savings having to be made despite the Council having sought to recover the maximum amount of council tax possible as permitted by the Government. Next year, the MTFS was predicated on the need to use some of the Council's reserves to balance the budget. Thereafter the deficit was forecast to grow significantly to £95m as a result of service demand and inflationary pressures, despite significant work and savings having been made in previous years across all service areas.

The Director emphasised that the main determinants for the Council's future financial health very much rested with the Government and its approach to things like local government funding reform, SEND funding reform and the national living wage. There were a growing number of authorities now needing additional Government support. The Council would continue to prioritise its financial resilience, however, the Director emphasised that it was difficult to predict the future direction of the Council in the longer term given the level of uncertainties faced.

Arising from discussion, the following points were made:

Revenue Budget and Growth

(i) Members expressed significant concern at the growing level of challenges faced by the Council. A member commented that it would be impossible given limits on the Council's ability to generate income, that this would cover its forecasted expenditure, particularly taking account of rising levels of growth in the demand for services, increasing costs and national insurance, and pay and price inflation.

(ii) It was suggested that uncertainty around future Government funding had made planning for this MTFS particularly difficult. It was noted that the Government was undertaking a spending review which would be concluded in June. Following this, it was thought the Government would be able to provide greater clarity around future funding streams. This should also be accompanied by reforms to the local government finance system, a consultation already having been launched on this issue.

(iii) Members questioned what other approaches the Government might take to address pressures on local government finances. The Director reported that there appeared to be some acknowledgement that service standard reforms would be needed, as well as the removal of the cap on council tax, both of which would help to enable councils to become more self-sustainable.

(iv) The Lead Member was challenged about what the Cabinet's strategy would be to address the budget deficit. The Lead Member confirmed that consideration had and would continue to be given to service delivery methods, and the level of service provided. It was acknowledged that lower level services were already being provided in Leicestershire at a cheaper cost due to its low funding position. However, the Councils performance had always demonstrated that these were delivered effectively and efficiently and to a good standard. Further the Council had secured specialist external support from organisations like Newton Europe that would continue to drive change across a range of services. The Lead Member assured members that whilst not sufficiently developed to be included in the current MTFS, further savings were being identified across all departments. However, he reiterated that there were still a number of factors outside the Council's control and dependent on the Government's funding approach and how it delivered local government finance reform.

(v) The MTFS took account of the previously approved increase in council tax by 4.99%, the maximum amount permissible for 2025/26, including the adult social care precept. A member suggested that the report had not made it clear that the Council had little choice but to do this. It was noted that whilst there would be no restrictions on future grants, the Government had emphasised that there would be an assumption that all councils would in future raise council tax to the maximum amount. It was further noted that a council tax rise of only 2.99% had been accounted for in future years because of the uncertainty around future referendum limits and whether additional the adult social care precept would still be available.

(vi) A Member commented on the impact rising council tax levels could have on residents that were already affected by rising costs. It was noted that the Council's MTFS consultation included questions regarding the potential impact of rising council tax. Feedback was currently being assessed and would be captured as part of the final MTFS to be submitted to the Cabinet.

(vii) It was noted that not increasing council tax to the maximum amount would have placed the Council in further difficulty and could have prevented it from being able to provide some services to its most vulnerable residents. The Director agreed it was a difficult balance to strike, but highlighted that some authorities that had not previously raised council tax by the full amount were now in crisis and seeking this year to increase this significantly beyond the 5% cap.

(viii) A re-set of business rate baselines was expected to be introduced in 2026/27. It was not yet clear if this would put at risk some of the Council's growth that had been built up since the system first came into force and now amounted to approximately

£10m above the Council's current baseline. In addition, it was noted that as the Council was part of a business rates pool with the City and district councils it could also potentially lose the growth that it expected to receive back from that pool. Members noted that the amount at risk was between £6m and £8m. Whilst a transitional period would likely be provided for, details about this were not yet known.

(ix) The Governments White Paper on Local Government Reform had been published after the draft MTFS had been prepared. Given current levels of uncertainty regarding the planned reforms, the MTFS had not included any reference to this in terms of cost and benefits at this time. The Director assured Members that if the position became clearer over the coming weeks, the final MTFS to be presented to the Cabinet and full Council could be amended to include some further information about this.

(x) It was noted that the decision to undertake local government reorganisation would be regarded as a matter of local choice and therefore the cost of implementing this would need to be met locally. In previous reorganisations the Government had not allocated any additional resources to support this.

Savings

(xi) The MTFS included £33m worth of savings to be delivered over the next four years. Despite this a budget deficit of £95m had been forecast. The Director emphasised that whilst the longer-term deficit was a concern, the bigger concern would be addressing the expected £40m deficit in 2026/27, as there would not be a lot of time to deliver the savings necessary to address this. If not addressed in year, this added to budget pressures faced in later years.

(xii) A Member questioned why only limited savings had been identified in the current MTFS. It was noted that savings were being developed and that detailed business cases would be brought forward over the coming year. The Commission was assured that this was a constant process which Chief Officers were working on with their Lead Members. A review of the Council's Strategic Plan was also underway which would provide further direction.

Reserves

(xiii) The budget equalisation reserve had increased significantly. This was allocated to cover future year budget gaps and to reflect increased pressured on the High Needs element of the Dedicated Schools Grant, taking account of the current statutory override which was due to come to an end in March 2026. The Government had not yet confirmed if this would be extended so there was some degree of uncertainty around this.

(xiv) The current level of reserves were expected to decrease over time as the Council expected to have to dip into this to cover future budget gaps, pending further savings being identified and delivered, and more funding being received from the Government.

Capital Programme

(xv) A Member raised concern that funding had not been allocated within the capital programme to replace the current Records Office. It was noted that the Council had been given notice by The National Archives that its future accreditation status was dependent on it having a clear and deliverable plan to address current issues around the storage of, and access to records by May 2026. Given that time was of the essence, it was questioned why this had not been accounted for. The Director explained that the Records Office was managed under a partnership arrangement with the City and Rutland Councils and that the Council was in discussions with both authorities to find an agreed way forward. It was noted that the capital programme included an allocation for ‘future developments’ and that when an approach had been agreed some of this funding could be used towards this. The Record Office was named as a Future Development of the Adults and Communities capital programme that had been discussed at the relevant scrutiny committee.

(xvi) The Lead Member commented that he and the Lead Member for Adults and Communities were aware of the implications of the Council losing its accreditation but that discussions with partners needed to be held in the first instance and a joint approach agreed if possible. It was suggested that a time limit should be imposed on those discussions to ensure the Council could progress alone to ensure it met the May 2026 deadline.

(xvii) Members raised concerns that delays in the delivery of capital projects resulted in rising costs which affected the Council’s overall capital programme. Members questioned how delays were managed and challenged to ensure these were avoided and mitigated where possible. The Director confirmed that arising from the Melton Mowbray Distributor Road project, a review of how the Council undertook large capital schemes had been carried out and improvements made to the Council’s internal processes. All projects were kept under regular review and contractors challenged wherever possible over delays. It was acknowledged that projects which were funded by multiple parties (such as developer funding, Funding from the DfT and Homes England etc.) were often more complicated and difficult to manage.

RESOLVED:

(a) That the report and information now provided be noted;

(b) That the comments now made be submitted to the Cabinet for consideration at its meeting on 7th February 2025.

51. Medium Term Financial Strategy 2025/26 - 2028/29 - Chief Executive's Department

The Commission considered a joint report of the Chief Executive and the Director of Corporate Resources which provided information on the proposed 2025/26 – 2028/29 Medium Term Financial Strategy (MTFS) as it related to the Chief Executive’s Department. A copy of the report marked ‘Agenda Item 9’ is filed with these minutes.

In addition to the Acting Leader and the Lead Member for Resources, the Chairman welcomed the Lead Member for Community and Staff Relations, Mrs P. Posnett CC, to the meeting.

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

(i) A Member commented that work arising from local government reorganisation would mainly fall within the remit of the Chief Executive's Department and queried why additional growth to cover that work had not been sought in the current MTFS. It was acknowledged that this could not be accommodated entirely within existing resources. However, when the position became clearer on the Council's proposed approach, discussions would be held with the Director of Corporate Resources regarding what additional resources would be required.

(ii) A Member queried what outcomes had been delivered by the Growth Service and Business Intelligence Service and asked, given the cost of those services, whether any savings could be identified in those areas. It was noted that a whole review of this service area was taking place and that further savings identified from that would be presented as part of the next iteration of the MTFS. So far, a saving of £95,000 had been accounted for.

(iii) The Council allowed trade union representatives to use some facilities at County Hall as part of the recognition agreement and ongoing arrangements with recognised trade unions.

RESOLVED:

(a) That the report and information now provided be noted;

(b) That the comments now made be submitted to the Cabinet for consideration at its meeting on 7th February 2025.

52. <u>Medium Term Financial Strategy 2025/26 - 2028/29 - Corporate Resources Department.</u>

The Commission considered a report of the Director of Corporate Resources which provided information on the proposed 2025/26 – 2028/29 MTFS as it related to the Corporate Resources Department. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

In addition to the Acting Leader and the Lead Member for Resources, the Chairman welcomed the Lead Member for Transformation and in support of Resources, to the meeting.

Arising from discussion and questions, the following points arose:

(i) A Member commented on the allocation of capital resources to the Investing in Leicestershire Programme and questioned if this was appropriate given the financial pressures faced. The Director provided reassurance that investment in the Programme would not be made unless this was supported by a sound business case and was expected to generate a revenue income stream in line with the Strategy. The IILP had been positive, generating income to support the delivery of other Council services for a number of years, reducing the level of savings needing to be made, and provided support for local businesses.

(ii) Beaumanor Hall was expected to generate a reduced loss this year. It was acknowledged that significant work had been undertaken to build a more sustainable business from the property but that this continued to be difficult. A Member challenged why the property costs for Beaumanor Hall were not shown against the revenue income it generated suggesting that this did not provide a transparent view of how well this traded service was operating. It was noted that services were presented in the budget based upon responsibility which allowed central overheads to be seen clearly. When decision making was made this information would be brought together for a holistic view to be taken.

(iii) A member commented on the difficulty some residents had getting through to officers and challenged whether this was as a result of the Ways of Working programme. The Director advised that feedback from a recent staff survey suggested that productivity had increased significantly following the introduction of hybrid working, but that work was ongoing to improve the capture of data to support this view.

(iv) It was noted that the Council had not made a decision to mandate officers come into the officer for a set number of days per week like some other organisations had chosen to do. Instead, the Council supported managers to determine the appropriate level of flexibility that best met the needs of their service area. They were considered best able to determine when performance management, objectives and targets were not being met and how to address this.

(v) The Director commented that hybrid working stemmed from the Covid 19 pandemic which forced home working upon a range of organisations to ensure these could continue to operate during that difficult period. Since then, all organisations have been adapting to a more flexible working approach. How well this worked varied depending on the needs of the business. The Director provided reassurance that the Council was seeing unprecedented growth at a time when staff resources had been reduced, but that despite this performance was being retained which indicated that productivity was good amongst staff. The Lead Member emphasised that hybrid working was now expected by employees and that offering this helped to improve recruitment and staff retention.

(vi) The Council's Customer Programme sought to improve the customer experience when contacting the Council. Improvements had been made but it was acknowledged that some areas of difficulty were still being worked on. For example, focus was now being given to reducing failure demand contacts, automated responses being provided where appropriate to keep people informed of progress regarding their enquiries. Also, steps were being taken to reduce call waiting times, call back options were being explored to prevent callers having to wait in a queue.

(vii) Supporting recognised trade unions was part of the employment offer. The Council currently funded 4 full time union representatives at a cost of approximately £250,000 per annum. Relations with trade unions were considered valuable, particularly when actions plans needed to be delivered ensuring a coordinated response and that support for staff was available. The Director confirmed there were no proposal to reduce the level of support provided as this was considered an important part in ensuring good employee relations, especially during significant periods of change.

RESOLVED:

(a) That the report and information now provided be noted;

(b) That the comments made by the Commission be presented to the Cabinet for consideration at its meeting on 7th February 2025.

53. Medium Term Financial Strategy 2025/26 - 2028/29 - Consideration of responses from other Overview and Scrutiny Committees.

The Commission considered extracts from the minutes of the Overview and Scrutiny Committee meetings held to consider the Medium Term Financial Strategy 2025/26 – 2028/29 so far as this related to the County Council departments. A copy of the minute extracts from each meeting is filed with these minutes.

RESOLVED:

That the comment made by each of the Overview and Scrutiny Committees be submitted to the Cabinet for consideration at its meeting on 7th February 2025.

54. Draft Revised Investing in Leicestershire Programme Portfolio Management Strategy 2025 - 2029

The Commission considered a report of the Director of Corporate Resources which sought members views on the revised Investing in Leicestershire Programme (IILP) Portfolio Management Strategy 2025 – 2029 which sets out the proposed approach to future asset management and investment. A copy of the report marked 'Agenda item 12' is filed with these minutes.

Arising from discussion, the following points arose:

(i) The refreshed Plan continued to seek to ensure the Council made the best use of its property assets and generated a good revenue return to support the delivery of wider services.

(ii) A new Rural Strategy was being developed to ensure that the estate had a clear direction and supported the County Council's wider objectives. This would be presented to the Commission at a future meeting for consideration.

(iii) Members were assured that an inspection programme was in place and would be detailed in the new Rural Strategy. A full inspection would usually be carried out once a year with periodic visits carried out on an ad hoc basis as necessary. The Director reported that advice had been sought from external land agents regarding the timing of inspections. They had recommended that these continue annually, advising that quarterly inspections would be unusual and expensive and risked being intrusive to tenants. It was noted that a balance needed to be struck between the Council's right to seek to protect its assets and a tenant's right to the quite enjoyment of what was their family home and place of business.

(iv) Delays in the delivery of IILP projects had less of an impact than other capital projects as any rise in costs would usually be recovered through increased rental income. Future costs could also be mitigated against as projects to build industrial units would not be commenced until future tenants had been secured.

(v) Members were reassured that all projects within the IILP were subject to a detailed business case first being agreed. Thereafter delivery against that business case would be monitored throughout the life of the project, with a detailed appraisal then carried out 12 months after completion.

RESOLVED:

(a) That the update now provided on the refreshed Investing in Leicestershire Programme Portfolio Management Strategy 2025 – 2029be noted;

(b) That the comments of the Scrutiny Commission be submitted to the Cabinet for consideration at its meeting on 7th February 2025.

55. 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 13' is filed with these minutes.

The Chairman welcomed Mr Mike Denby, Director of Inward Investment and Place Marketing for Leicester and Leicestershire, who attended for this item.

Arising from discussion, the following points were made:

(i) Discussions were held every eight weeks with City Council, Rutland Council and district council colleagues regarding tourism campaigns being run or proposed, to ensure the events being promoted were complementary, or that these were coordinated, and a place-based approach was being adopted.

(ii) The Team worked closely with district councils with equivalent services. Often the Place Marketing Team either supported district councils with their existing campaigns or directed local and rural businesses to them to ensure a joined-up approach. District tourism representatives worked closely with the Team and identified those campaigns which they were able to work on collaboratively.

(iii) The Place Marketing Team provided a link between the public and private sector. The work of the Team included identifying sites for future business tenants seeking to relocate or expand in the area, facilitating discussions with agents, training providers, and other supporting businesses and public sector organisations. The level of input from the Team varied depending on the support required by each business. For those already located in the area this might be minimal compared to the support provided to new businesses coming to Leicestershire.

(iv) Discussions were held with prospective businesses looking to locate within the region to promote why Leicestershire would be the right place for them or, if they chose elsewhere the reasons for this so that any barriers identified could be addressed where possible.

(v) Most campaigns were promoted on the organisations website and on social media. However, physical guides were printed off and circulated or could be made available on request. The website provided links to other organisations, therefore providing a central point of information and contact.

(vi) The County Council would not be sending a representative to the MIPIM event to be held in March this year. When attending previously this had been on behalf of both the County and City Councils who provided directions regarding those projects they would like to see promoted. Members noted that last year the City Council had sought the promotion of a list of key assets and following discussions held at MIPIM a £5m deal had been secured in respect of one of those assets.

RESOLVED:

That the update now provided be noted.

56. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Commission would be held on 10 March 2025 at 10.00am.

CHAIRMAN

10.00am – 12.32pm
27 January 2025

SCRUTINY COMMISSION: 10 MARCH 2025

ENGLISH DEVOLUTION WHITE PAPER: LOCAL GOVERNMENT REORGANISATION

JOINT REPORT OF THE CHIEF EXECUTIVE, THE DIRECTOR OF CORPORATE RESOURCES AND THE DIRECTOR OF LAW AND GOVERNANCE

Purpose of report

1. The purpose of this report is to seek the views of the Scrutiny Commission on the proposed content of the interim plan for local government reorganisation. The Commission will receive a presentation at its meeting on 10 March providing details of the proposed content.

Policy Framework and Previous Decisions

2. A letter was received from the Minister of State for Local Government and English Devolution on 5 February setting out the formal invitation to develop a proposal for local government reorganisation. This letter provided guidance and set out assessment criteria, including the requirement to submit an interim plan to the Government before 21 March 2025. This letter, along with a letter received from the Minister of State advising that the County Council's request to postpone the election had not been granted were the subject of a report to the Cabinet meeting on 7 February. That report was also submitted to the County Council for information at its meeting on 19 February 2025.

3. In her position statement to the County Council meeting on 19 February, the Acting Leader confirmed that the County Council would now be focusing on revising and updating the 2019 business case, a Vision for Local Government in Leicestershire. This would inform the interim plan.

4. The Secretary of State for Housing, Communities and Local Government has the power under Part 1 of the Local Government and Public Involvement in Health Act 2007 to invite proposals for a single tier of local government. In responding to an invitation, a council is required to have regard to any advice from the Secretary of State as to what a proposal should seek to achieve and the matters that should be taken into account in formulating a proposal.

Background

2019 Business Case: A Vision for Local Government in Leicestershire

5. In October 2019, the Cabinet approved a draft strategic business case for the development of a unitary structure. Several options were considered. However, due to the Government's criteria the focus of the analysis was on either a single or two unitary councils for the county of Leicestershire (excluding the city). The preferred option was for a single unitary. Members noted the potential financial savings offered by the proposals, savings which could be reinvested to support and improve front line services.

6. The draft strategic business case was considered by the Scrutiny Commission in October and November 2019. At those meetings it was concluded that there appeared to be a majority of members who were supportive of the business case, but a minority of members remained concerned or were opposed to the proposals. The Commission did not propose any changes to the draft strategic business case.

7. There was then a general election called in December 2019 which changed the political landscape. The then Government, having requested expressions of interest for unitary local government, decided not to proceed. Subsequently, from March 2020 the Covid-19 pandemic changed the political focus, and the business plan, although advanced in its development, was never finalised by the Cabinet.

8. A review of the 2019 strategic business case is currently being undertaken by officers to update it for the latest information. This will ensure that the business case remains relevant and enable it to be a credible basis for the interim plan, whilst assessing the further work required for the November submission. This involves refreshing and updating the financial information informing the business case, to recalculate the level of savings that would be achieved. The descriptions of services in a unitary authority are also being reviewed and brought up to date.

9. Minimal changes have been made to the proposed governance arrangements set out in the 2019 strategic business case. This is in a large part due to the significant levels of scrutiny that these proposals were subject to in 2019.

Criteria

10. The criteria for unitary local government, set out in the invitation letter of 5 February 2025 are as follows:
    - A proposal should seek to achieve for the whole of the area concerned the establishment of a single tier of local government.
    - Unitary local government must be the right size to achieve efficiencies, improve capacity and withstand financial shocks.
    - Unitary structures must prioritise the delivery of high quality and sustainable public services to citizens.
    - Proposals should show how councils in the area have sought to work together in coming to a view that meets local needs and is informed by local views.
    - New unitary structures must support devolution arrangements.

- New unitary structures should enable stronger community engagements and deliver genuine opportunity for neighbourhood empowerment.

Interim Plan

11. The Government has stipulated that the interim plan should:

    (a) Identify any barriers or challenges where further clarity or support would be helpful.

    (b) Identify the likely options for the size and boundaries of new councils that will offer the best structures for delivery of high-quality and sustainable public services across the area, along with indicative efficiency saving opportunities.

    (c) Include indicative costs and arrangements in relation to any options including planning for future service transformation opportunities.

    (d) Include early views as to the councillor numbers that will ensure both effective democratic representation for all parts of the area, and also effective governance and decision-making arrangement which will balance the unique needs of your cities, towns, rural and coastal areas, in line with the Local Government Boundary Commission for England guidance.

    (e) Include early views on how new structures will support devolution ambitions.

    (f) Include a summary of local engagement that has been undertaken and any views expressed, along with your further plans for wide local engagement to help shape your developing proposals.

    (g) Set out indicative costs of preparing proposals and standing up an implementation team as well as any arrangements proposed to coordinate potential capacity funding across the area.

    (h) Set out any voluntary arrangements that have been agreed to keep all councils involved in discussions as this work moves forward and to help balance the decisions needed now to maintain service delivery and ensure value for money for council taxpayers, with those key decisions that will affect the future success of any new councils in the area.

Options

Single Unitary Council for Leicestershire County (excluding Leicester City)

12. It is proposed that the option for a single unitary council for Leicestershire is the option put forward by the County Council in the interim plan, on the basis that it is the only option that fully meets the Government's criteria.

13. Leicestershire's current population using census data is just over 734,000, meaning that any attempt to divide the county into two smaller unitary authorities would not meet the Government's stated aim that the population size for new councils should exceed 500,000. It is noted that a proposal from the district councils and Rutland for 3 unitary councils in the Leicester, Leicestershire and Rutland (LLR) area uses

forecast population data for 2028 in respect of the two proposed councils outside the City but does not use that data for the City unitary, i.e. it increases population size inconsistently and not in line with latest data, the ONS mid-year estimates 2023. There is no explanation provided by the district councils and Rutland. It is also noted that using these higher future population projection figures still leaves both the proposed unitary councils outside the City significantly short of the 500,000 plus population benchmark.

14. The 2019 strategic business case indicated that a £30 million net annual saving could be generated, with implementation costs of approximately £19 million. Financial modelling is currently being undertaken to update these estimates in light of latest information. It is clear that the costs of disaggregating services already provided at a county level would be substantial and the process would be complex, and this option avoids generating those additional costs and the associated risk to service delivery. Alongside the loss in economies of scale, for example through greater numbers of senior management, the single unitary option is expected to provide the best value for money for council tax payers.

15. The benefits of single unitary council for Leicestershire address the Government’s criteria of improving capacity, being able to withstand financial shocks and prioritise the delivery, improvement and sustainability of services in the following ways:

(a) **Efficiency and Cost Savings**: By consolidating the current two-tier system into a single unitary council, there would be substantial savings from reducing duplication in management, back-office functions, and the number of head offices and service points. This streamlined approach would mean that money currently spent on management and administration can be redirected to front-line services, helping to meet demographic and inflationary pressures without adversely affecting other local government services or council tax payers. Further financial benefits would be expected from greater purchasing power and joining up adjacent service such as waste collection and disposal.

(b) **Improved Strategic Decision-Making**: A single unitary council would enhance strategic decision-making by providing a unified direction for Leicestershire, such as through a single Spatial Development Strategy and Local Plan. This would offer certainty, stability, and democratic accountability, giving investors and the government confidence in Leicestershire’s ability to deliver. It would also strengthen the county's negotiating position both regionally and nationally, driving forward the delivery of strategic priorities.

(c) **Financial Resilience**: The streamlined structure would increase financial resilience by creating a larger, more robust organisation better equipped to handle financial uncertainties. This would allow for more resources to be deployed rather than held in contingencies, ensuring that services can continue to be delivered effectively even in times of financial stress.

(d) **Unified Voice and Stronger Partnerships**: Having a single unitary council would mean a stronger, unified voice when negotiating with the government and other partners. This would simplify the landscape for partners, reducing duplication of effort and ensuring clear and consistent messages from local government. It would be particularly helpful to partners such as the NHS, Police and Fire and Rescue Service to be able to deal with a single unitary council rather than two councils with potentially different processes. This would extend to working with developers and ensuring that the funding for Leicestershire's necessary infrastructure is secured.

16. One of the most significant benefits of a single unitary council for Leicestershire is that it avoids the unnecessary disaggregation and fragmentation of services such as social care. In terms of Children and Family Services, a single unitary council would enable the continued delivery of the centrally led/co-ordinated, locality delivered model that has recently been judged to be outstanding by Ofsted. Ofsted noted the strength of the consistency of approach, the strength of leadership, robustness of decision-making and quality of practice across the county area. The disaggregation of children's services across two unitary councils would double the leadership costs leading to a greater proportion of the children's services budget being spent on management costs and overheads. Two unitary councils would add significant costs to local delivery, reduce the flexible use of resources across the area to meet local need and could lead to inconsistent offers to vulnerable families across the County. Alternative delivery models for running children's services across two local authority areas would introduce significant costs, on top of the increased running costs of two unitary councils, if statutory duties and functions were to be delivered. Alternative delivery models in children's services, such as Trusts, are advocated as a solution for turning around 'failing' services, therefore this is not a credible option for Leicestershire.

17. The position is similar in Adult Social Care, where there are no examples of a Trust being created to run these services in place of a local authority. The County Council currently commissions and provides adult social care and wellbeing services as required to meet the needs of the local population, with the flexibility to do so across the whole of the County. As noted for Children's Services, the disaggregation of Adult Social Care would lead to additional leadership and management arrangements, increase overhead and fixed costs of delivery and reduce benefits associated with scale. Adult Services commission support from over 300 organisations through a variety of contracts and procurements which would need to be duplicated in more than one commissioning authority. In addition, current partnership arrangements in connection with integrated care pathways with the NHS and other partners would need to be duplicated, creating more complex transfer of care arrangements for individuals and partners. Highly specialist social care services and low volume services are difficult to deliver in smaller authorities due to the difficulty in recruitment and professional development of the workforce and oversight and governance of activity.

18. Avoiding the unnecessary fragmentation of services is also important for services currently provided by the Environment and Transport Department, where disaggregation would create inefficiencies in the following areas:

(a) Out of hours highways teams – on call duty officers would be doubled up and replicated in each unitary area along with emergency out of hours resources on standby.

(b) Two control room teams would be required to manage operations.

(c) Two network management teams would be needed (two separate unitary areas within the County would struggle to have effective management and co-ordination of roadworks especially on the classified road network)

(d) SEN Transport – planning services in two smaller areas.

(e) Business support functions – duplication of all support functions but also including highways material, plant stores and specialist purchasing teams.

(f) All the above would lead to duplication of expertise in an industry with a national skills shortage.

19. A single unitary has the potential to increase choice and convenience for residents by removing district boundaries to services access points.

20. The 2019 strategic business case included a proposal for local area committees, with devolved decision making to shape local services and give communities a stronger local voice and participation in decision making at a local level. Area Planning Committees and empowered Town and Parish Councils will also form part of the proposals in the interim plan, with the aim of enhancing community engagement.

21. Leicester and Leicestershire is a functional economic area as defined by Government. This designation reflects the geography within which many economic relationships operate, and the area has a relatively self-contained labour market. The boundaries of Leicestershire provide a good approximate fit to key economic geographies such as travel to work patterns. To that end, a single unitary council for Leicestershire would form part of a sensible geography for a local authority, with the intention ultimately being to form part of a Strategic Mayoral Authority for Leicester and Leicestershire or for Leicester, Leicestershire and Rutland, through a devolution deal.

<u>Two Unitary Councils for Leicestershire</u>

22. The option for two unitary authorities in Leicestershire County (excluding Leicester City) was considered in the 2019 strategic business case and the financial assessment of this option is being updated alongside the financial assessment for a single unitary authority for Leicestershire, it should be noted that in 2019 that this option was found to be less financially sustainable than a single unitary council for the following reasons:

(a) Countywide services need splitting to create two new services. This results in additional senior and middle management.

(b) More organisations exist, which will require a greater total level of back-office and infrastructure support. These costs tend to be fixed in nature.

(c) Two unitary councils would be smaller organisations than the existing County Council, resulting in a loss of purchasing power.

(d) Salaries to attract the right people will not be materially lower in the smaller organisations. For some posts, where there is already a shortage of good candidates, salaries are likely to be the same but there is a potential for salary spiralling in a competitive and dynamic recruitment market between two unitary authorities.

23. Each of two unitary authorities for Leicestershire County would be significantly below the population size referred to in the English Devolution White Paper.

Extension of Leicester City Council's Boundaries

24. In her position statement to the County Council meeting on 19 February 2025, the Acting Leader confirmed her view that, if the Government were to seek to progress any proposal for an extension of the City's boundaries, it would be in the interests of Leicestershire's residents to oppose this. Residents would be impacted financially, as all areas of the county pay lower council tax than city residents, due to historic decisions. The implications of the City Council expanding geographically would also impact the remaining council/s in the county due to:

(a) The loss of funding, associated with the expansion, would be greater than the costs transferred to Leicester City Council reducing money available to be spend on services, unless council tax was increased. This is due to lost economies of scale for county wide services and organisational running costs.

(b) Access to services for remaining residents would be reduced where physical assets are transferred.

(c) If the amount of assets transferred is significantly different to the level of residents in the area, service points would need to be opened or closed to rebalance.

(d) The complexity and cost of the change would increase significantly as all county services would require disaggregation. There is no corresponding increase in savings to compensate for this, just a transfer of savings from the county to the city. This would be compounded if existing district areas are changed.

(e) The preparatory work for change would increase with multiple agreement required to deal with treatment of assets, historic liabilities and arrangements for services that cannot easily be split, such as control of street lights.

The implications are reversed for the City Council, which would gain scale. Government could resolve this through a permanent transfer of grant funding, although there would be concerns over the permanent nature of this. There would be no way to avoid the significant transition costs of transferring work between organisations.

25. It is noted, however, that the Minister's letter (paragraph 2 of this report) invites Leicester City Council to submit its own interim plan in line with the Minister's earlier letter following the publication of the Devolution White Paper, in which he said he would facilitate reorganisation for unitary councils 'where their size or boundaries may be hindering an ability to deliver sustainable, high-quality public services'.

Rutland

26. In her position statement to the Council at its meeting on 19 February, the Acting Leader said that the position of Rutland in a unitary structure will be considered by the County Council when the position of Rutland Council is known. The Minister's letter also invites Rutland Council to submit its own interim plan for unitary local government. A special meeting of Rutland Council was held on 11 February. No minutes or decisions have yet been published but it is known the meeting agreed that any decisions on Rutland's interim plan would require consideration by the full Council before 21 March. The Leader of Rutland, however, has put her name to a joint statement with the Leaders of the Leicestershire district councils saying there is 'a clear case for three unitary councils for the LLR area'.

27. The County Council provides an extensive range of social care services to Rutland, including statutory mental health provision, Deprivation of Liberty Safeguards, the Youth Offending Service and the Out of Hours social work response for children and young people. The external provision and cost of social care services to Rutland will be an important consideration for Rutland's place in a new unitary structure. The Director of Public Health also undertakes that role for Rutland.

Engagement and Consultation

28. The Acting Leader's Position Statement to the County Council on 19 February, launched the proposal for 'One Council for Leicestershire' and asked residents and stakeholders to feedback their early thoughts by completing a short survey. This is in line with the Government's initial bid criteria and timeline.

29. A handy cut out version is also included in the spring edition of the Council's newsletter to residents, Leicestershire Matters, which is delivered in early March, and can be mailed using a 'freepost' address.

30. Targeted events are being arranged amongst others for the Voluntary and Community Sector, Parish and Town Councils, the Business and Skills Sector. Internal webinars will take place for staff in the week following the Scrutiny Commission meeting. District Council Leaders, the City Mayor and the Leader of Rutland have also been invited to a meeting hosted by the Acting Leader.

31. This is early engagement and will be followed by a more comprehensive and wide-ranging consultation exercise. This is planned to take place later this year and will offer more opportunities to hear about proposals, ask questions and help shape plans ahead of the Government's November deadline.

Resource Implications

32. The work completed to date has been delivered using internal resources, however local government re-organisation is a significant undertaking that will have an impact on the Council's financial position in future years. The recently approved MTFS does not include any additional costs or savings which may arise from future reorganisation. If the Council does need to fund one-off costs necessary to support any changes, this is expected to be possible on a spend to save basis, which its strong balance sheet will facilitate. The exact source of funding will be considered when the nature and timing of re-organisation is known

Timetable for Decisions

33. The interim plan will be considered by the Cabinet on 18 March, where approval will be sought to submit it to the Government to meet the deadline of 21 March.

Next Steps

34. A new business case will be developed based on latest information and the views of residents, in time to meet the deadline for the submission of a final plan to the Government, 28 November. This business case will fully reflect the Government's criteria and taking on board any feedback on the interim plan provided by the Government.

35. As stated in paragraph 28, consultation will be essential and plans for widespread engagement with members, stakeholders and the public later this year are currently being developed.

Conclusions

36. The Commission's views are sought on the option for a single unitary Council for Leicestershire, excluding Leicester City.

Background papers

"English Devolution White Paper" published 16 December 2024
https://www.gov.uk/government/publications/english-devolution-white-paper-power-and-partnership-foundations-for-growth

Acting Leader's Position Statement to the County Council meeting on 19 February 2025
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=7391&Ver=4

Reports to the Cabinet and minutes of those meetings –

7 February 2024 – "English Devolution White Paper: Local Government Reorganisation – Including Urgent Action Taken"
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7873&Ver=4

17 December 2024 – "English Devolution White Paper"
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7512&Ver=4

29 March 2019 - "Review of Proposals for a Unitary Structure of Local Government for Leicestershire"
https://cexmodgov01/ieListDocuments.aspx?CId=135&MID=5601#AI59004

22 October 2019 - "A Vision for Local Government in Leicestershire"
https://cexmodgov01/ieListDocuments.aspx?CId=135&MId=5606&Ver=4

Reports to the Scrutiny Commission and minutes of those meetings –

6 November 2019 – "A Vision for Local Government in Leicestershire"

https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=5699&Ver=4

30 October 2019 – “A Vision for Local Government in Leicestershire”
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=6064&Ver=4

Circulation under the Local Issues Alert Procedure

37. This report has been circulated to all members of the Council.

Equality Implications

38. Due to the complexity and scope of the proposal and possible wide scale impact of the changes proposed the Council will adopt a strategic approach to conducting Equality Impact Assessments during all programme phases and stages.

Human Rights Implications

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

Appendices

Appendix – Public Engagement Survey

Officers to Contact

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‘One council’ plan to improve services

The Government has made it clear it wants to move away from ‘two tier’ local government, so we’re drawing up common-sense plans to create one council for Leicestershire (excluding Rutland and Leicester City), forging stronger links with communities, reducing duplication and simplifying local government.

Initial proposals need to be submitted by 21 March with a more detailed plan completed by November.

To help us to make the right decisions we are asking everyone to have their say.

We are asking for initial feedback, before our interim plan is sent to the Government.

Do not use the back button on your browser/device as you may lose your response. Use the buttons below to navigate the survey.

Please note: Your responses to the main part of the survey may be released to the general public in full under the Freedom of Information Act 2000. Any responses to the questions in the 'About you' section of the questionnaire will be held securely and will not be subject to release under Freedom of Information legislation, nor passed on to any third party. To find out more about how, why and what information we use please visit https://www.leicestershire.gov.uk/about-the-council/data-protection-and-privacy

Your role

Q1 In what role are you responding to this survey? Please select one option only.

- ◯ Member of the public
- ◯ Employee of county or district council
- ◯ County councillor
- ◯ District councillor
- ◯ Town/Parish councillor
- ◯ Business
- ◯ Health sector
- ◯ Emergency services
- ◯ Voluntary sector organisation or charity
- ◯ Other stakeholder organisation
- ◯ Other (please specify)

Please specify 'other'

Q2 If you indicated that you represent an organisation, business, community group, school/other educational establishment, please provide your details.

Name:

Organisation:

This information may be subject to disclosure under the Freedom of Information Act 2000

A future vision for Leicestershire

Q3 How important, if at all, are the following to you (or your organisation)?

	Very important	Fairly important	Not very important	Not at all important	Don't know
Joined up, easy to access council services	○	○	○	○	○
Reduced duplication and cost of administration	○	○	○	○	○
Better public services	○	○	○	○	○
Strong local councillors	○	○	○	○	○
A stronger say in local decisions	○	○	○	○	○
Having one voice for Leicestershire	○	○	○	○	○
Being clear on who my councillor is and what they're responsible for	○	○	○	○	○
A sense of place and a recognised county	○	○	○	○	○
Opportunities to boost the economy	○	○	○	○	○

About you

Leicestershire County Council is committed to ensuring that its services, policies, and practices are free from discrimination and prejudice, address the needs of all sections of the community and promote and advance equality of opportunity.

Many people face discrimination in society because of their personal circumstances and for this reason we have decided to ask these monitoring questions.

We would therefore be grateful if you would answer the following questions. You are under no obligation to provide the information requested, but it would help us greatly if you did.

Q4 What is your gender?

- Male
- Female
- I use another term

Q5 What is your full postcode?
This will allow us to understand the types of areas people live. It will not identify your house.

Q6 What was your age on your last birthday? (Please enter your age in numbers not words)

Q7 Do you have a long-standing illness, disability or infirmity?

- Yes
- No

Q8 What is your ethnic group? Please tick one box only.

- White
- Mixed
- Asian or Asian British
- Black or Black British
- Other ethnic group

Q9 Are you a member of county or district council staff?

- ◯ Yes
- ◯ No

Q10 Later in the year, we'll be running a much bigger consultation. If you'd like to stay in touch and provide feedback, please register your interest.

Name:

Email:

Please click the 'Submit' button to send us your response.

Thank you for your assistance. Your views are important to us.

When the survey closes on 18 March, the results will inform the Council's proposals for future local government structures, which must be submitted to the Government by 21 March 2025.

Data Protection: Personal data supplied on this form will be held on computer and will be used in accordance with current Data Protection Legislation. The information you provide will be used for statistical analysis, management, planning and the provision of services by the county council and its partners. Leicestershire County Council will not share any personal information collected in this survey with its partners. The information will be held in accordance with the council's records management and retention policy. Information which is not in the 'About you' section of the questionnaire may be subject to disclosure under the Freedom of Information Act 2000.

Leicestershire County Council

SCRUTINY COMMISSION - 10th MARCH 2025

LEICESTER AND LEICESTERSHIRE BUSINESS AND SKILLS PARTNERSHIP

REPORT OF THE CHIEF EXECUTIVE

Purpose of report

1. The purpose of this report is to update the Scrutiny Commission on the work of the Business and Skills Partnership for Leicester and Leicestershire.

Policy Framework and Previous Decisions

2. The County Council's Strategic Plan is based on five strategic outcomes which describe the Council's vision for Leicestershire, including:

   - Strong economy, transport and infrastructure: Leicestershire has a productive, inclusive and sustainable economy and infrastructure which meets the demands of a growing population and economy.

3. In March 2024 the Cabinet authorised the Chief Executive, following consultation with the Cabinet Lead Member, to take any operational, governance and regulatory steps that may be required to finalise the transition of the Leicester and Leicestershire Enterprise Partnership (LLEP) to the upper tier local authorities.

Background

4. In the Spring Budget of March 2023, the Chancellor announced that the Government was "minded" to withdraw central core funding for Local Enterprise Partnerships (LEPs) starting in April 2024. This decision was officially confirmed in August 2023. The Government also indicated that funding for several key LEP functions - such as business representation, strategic economic planning, and the delivery of government programs (where directed) - would be transferred to Upper Tier Local Authorities (UTLAs), where these functions are not already managed by combined authorities or the Greater London Authority. The expectation was for UTLAs to collaborate across functional economic areas.

5. A Transition Board was subsequently established to manage the transition of the LLEP to the County and City Councils, with the City Council remaining the accountable body.

6. In April 2024 the former LLEP team transitioned to the Leicester and Leicestershire Business and Skills Partnership (LLBSP).

7. During 2024/25 the government provided transition funding to support the establishment of a Business Board and to continue with government funded priority programmes. These are as follows:

   a) Supporting business representation through the establishment of a Business Board
   b) Supporting the designated Enterprise Zones, which include sites in the County at MIRA Technology Park (MIRA) near Hinckley and at Loughborough University Science and Enterprise Park (LUSEP) and Charnwood Campus in Loughborough;
   c) Skills and apprenticeships, including the work of the Leicester and Leicestershire Careers Hub;
   d) The Business Gateway Growth Hub and Create Growth;
   e) Local economic growth planning.

Business Board

8. Following the previous government's decision to shift economic functions and business representation from LEPs to local government, guidance was provided for local authorities collaborating within a prospective devolution deal geography or functional economic area. This includes establishing or maintaining an Economic Growth Board (or a similar entity) comprising local business leaders and relevant representative bodies. These boards serve two key purposes: (a) representing local business perspectives in regional decision-making and (b) working with local leaders to develop a comprehensive economic strategy for the area.

9. The guidance given stated that Business representative boards should follow certain key principles to ensure effective business involvement in local decision-making. They should engage business representative organisations such as the local Chamber of Commerce, the Federation of Small Businesses, or the designated Employer Representative Body (ERB) leading the Local Skills Improvement Plan (LSIP). Additionally, they should include a diverse range of businesses reflecting local economic strengths and priorities, ensuring representation across different sizes and geographic areas, including urban, and rural to promote a diversity of voices.

10. Operating across Leicester and Leicestershire, the Business Board serves as a strong business voice, supports the delivery of Government initiatives, and acts as an enterprise advocate on the regional and national stage.

11. Mr. Andy Reed OBE has been appointed as the Chair of the newly established Business Board, where he will play a key role in shaping economic strategy for Leicester and Leicestershire.

12. Mr. Reed previously served as Chair of the LLEP. With extensive experience in business and stakeholder engagement, his appointment ensures continuity in providing strategic advice to both Councils.

13. Recruitment of Business Board members began in the summer of 2024, attracting 15 applications. After shortlisting and interviews, a panel of senior officers from both the City and County Councils selected four private sector members. Their decision

was subsequently ratified by both the Acting Leader of the County Council and the City Mayor.

14. Alongside the four private sector members, the Business Board includes one representative from the voluntary and community sector (VCS) and one each from the higher and further education sectors.

15. The Business Board is also composed of five business and employer representative organisations, including the Institute of Directors, Federation of Small Businesses, and Make UK, as well as a representative on behalf of the district councils (Mr Jewel Miah). There is also a senior officer observer from Rutland Council.

16. The Business Board meets every two months to provide guidance to the Acting Leader of the County Council and the City Mayor on economic development needs. Additionally, the two leaders hold bi-monthly meetings with the Chair of the Business Board as the LLBSP Executive to shape and steer the forward agenda and agreed Board outcomes.

17. The Business Board has met twice so far, with agenda items including Board induction, an overview of the LLBSP, and most recently, a presentation on the potential devolution of adult skills.

18. A secretariat team, operating under the LLBSP and hosted by the City Council, provides support to the decision-makers and the Business Board.

Enterprise Zones

19. In March 2023, the LLEP Board asked that an impact assessment of the Enterprise Zones (EZs) in Leicester and Leicestershire be undertaken. The impact assessment was to cover the period 2012 - 2022 for MIRA and 2017 - 2022 for LUSEP and the Charnwood Campus. The LLEP commissioned the County Council Business Intelligence team to undertake this work.

20. The assessment has shown that the EZ's have collectively created 6,107 jobs (direct and indirect) with an additional 2,456 construction jobs, created £357.3m Gross Value Added (direct and indirect) for Leicester and Leicestershire, and attracted £163.8m public and £141.8m private investment. This report is a useful tool for partners looking to attract investment into Leicester and Leicestershire. It has supported the LLBSP response to the Government's Industrial Strategy Green Paper which highlights several of our EZ key sectors as high growth/priority sectors for the UK.

21. The projects funded through the Enterprise Zone Retained Business Rates fund via the LLEP are reaching completion. Of the 10 projects, two have final claims expected to be submitted this financial year and the remainder are either in monitoring or fully closed. Projects have predominantly been capital based, although some revenue activity has been supported. These have included a redevelopment project on the Charnwood Campus to upgraded unused highly specialised laboratory space, creating a world-class biochemistry building, a project to convert an existing building at MIRA into a low carbon research centre and install transformational charging and testing infrastructure for electric and hydrogen

vehicles, and a start-up business support project delivered by Loughborough University open to individuals across Leicester and Leicestershire.

22. The post-LLEP arrangements for the EZ programme are under discussion by the County and City Councils, Hinckley and Bosworth Borough Council, and Charnwood Borough Council. These will dictate the EZ Retained Business Rates fund's future administration and financing decision-making processes. The LLBSP is providing support to these discussions.

23. EZ Implementation Groups are responsible for overseeing the implementation plans of their respective EZ sites. Each group meets four times annually. To facilitate more cooperation and learning across the sites, the LLBSP will be hosting additional meetings this year. These will centre on the net zero agenda and innovation ecosystems.

24. In collaboration with the Leicester and Leicestershire Place Marketing Team, development of an event to promote the region using the Enterprise Zone sites at UK's Real Estate Investment & Infrastructure Forum (UKREiiF) Industry Conference 2025 is underway. Using innovative sectors to generate long-term growth with the help of public-private partnerships will be the main emphasis of this showcase event.

Skills and apprenticeships

25. The LLBSP aims to enhance economic growth by focusing on skills development and employment support. Collaborating with employers, educational institutions, local authorities, and voluntary services, the LLBSP aims to create a robust talent pipeline tailored to the diverse needs of the local economy.

26. Key initiatives undertaken by the LLBSP in the realm of skills development include:

- Strategic Collaboration: Partnering with the East Midlands Chamber to advance the Local Skills Improvement Plan (LSIP) and working alongside local authorities to support UK Shared Prosperity Fund (UKSPF) programmes
- Apprenticeships and Training: Promoting and facilitating apprenticeship opportunities, traineeships, and T Levels to provide practical experience and bridge the gap between education and employment.
- Employer Engagement: Encouraging businesses to offer work placements, internships, and industry placements, thereby fostering early engagement with potential future employees and addressing sector-specific skills challenges.

Careers Hub

27. The Careers Hub engages with local schools and colleges, employers, and careers-education providers to improve careers education related outcomes for young people, especially the disadvantaged. It aligns this work against the Gatsby Benchmarks for Good Careers Guidance which define what world class careers education looks like. The Hub is above national average in seven of the eight benchmarks and has been acknowledged as progressive and leading the way on creating the national blueprint for careers education.

28. The Hub provides training, support, and best practices in careers education and demonstrates the impact of this on career readiness, employment outcomes and “Not in Education, Employment or Training (NEET) reduction.

29. The Hub is funded through the LLBSP with match funding in full or part for all staff. It operates through a grant funding agreement with the Careers and Enterprise Company who are the national body for careers education.

30. The strategic priorities of the Careers Hub are:

- Raising the quality of careers provision in schools and colleges, against the Gatsby Benchmarks, through training for the education workforce, targeted support, and quality assurance.
- Driving positive experiences with employers by stimulating and providing more high-quality experiences with employers for students and teachers in the classroom and the workplace.
- Boosting Skills Pathways - Amplifying apprenticeships, technical (T Level) and vocational routes and aligned to the knowledge, skills and behaviours businesses articulate they need in their workforce.
- Tackling disadvantage through target interventions for economically disadvantaged young people (those in receipt of free school meals) and those who face barriers to education, employment or training.
- Connecting careers provision in schools and colleges to the needs of local economies as articulated through local growth plans the Local Skills Improvement Plan.

31. In addition to its core work, the Careers Hub has delivered a range of additional projects supporting disadvantaged young people. These include “Unbox Your Future” (a workplace experience project for c3,000 young people), “We Discover Effective Transitions” (a SEND research project building confidence and transition opportunities), and “We Discover Digital” (an immersive sector project connecting young people with industry pathways). The Hub has also become England's first pilot Logistics Beacon Hub, collaborating with sector industry partners to enhance career sector depth and breadth, upskill educators, parents and carers.

32. Looking forward, and in line with governments direction of travel, the Hub will continue to elevate careers education with an increased focus on strengthening careers leadership through peer and expert reviews, further develop our work with parents and carers on supporting their young people and stimulate further high-quality workplace experiences.

Business Gateway Growth Hub

33. The Business Gateway Growth Hub actively supports businesses in Leicester and Leicestershire through various initiatives. These include the following:

- Collaboration on the Leicestershire Innovation Festival 2024: The festival attracted over 1,000 attendees during a fortnight of events, celebrating innovation across the region.

- Supporting Leicestershire Business Advice Service through engagement and referrals.
- Active promotion of government initiatives impacting small and medium sized enterprises such as the Fair Payment Code, consultation on copyright laws and the promotion of skills bootcamps.
- Highlighting practical initiatives such as winter proofing your business and supporting mental health in the workplace.
- Raising awareness of fraud through international fraud week and highlighting common scams tactics used in the run up to the self-assessment deadline.

34. Looking ahead, the Business Gateway Growth Hub plans to continue its support for local businesses with Leicester, Leicestershire and Rutland with the following upcoming events and programs:

- Workshops and Events: A series of workshops and events are scheduled, covering topics such as business networking and growth strategies.
- Offering businesses personalised one-on-one support through a business navigator and working in collaboration with the National Business Support Helpline.

35. Additionally, the Business Gateway Growth Hub is awaiting the publication of the Small Business Strategy and the launch of the Business Growth Service, which is anticipated by summer 2025.

Create Growth

36. The East Midlands Create Growth Programme (EMC²) has been actively supporting creative businesses in the region. Launched in November 2022, the programme began accepting applications in January 2023 and commenced its first cohort in May 2023. The initiative is funded by the Department for Digital, Culture, Media and Sport (DCMS) and is designed to run until the end of 2025.

37. EMC² offers a comprehensive business support programme aimed at making creative sector businesses investment ready. This includes a combination of workshops, peer support, and mentoring tailored to the specific needs of high-growth potential creative businesses. Participants engage in either in-person or virtual workshops and receive bespoke mentoring, focusing on areas such as intellectual property, business models, revenue streams, and access to new markets. The programme also provides opportunities for businesses to meet investors and bid for funding from Innovate UK.

38. The programme is open to creative sector businesses based in Leicestershire, Derbyshire, Rutland, and Lincolnshire. Eligible industries include advertising and marketing, architecture, crafts, design and designer fashion, film, TV, video, radio, photography, IT, gaming, software and computer services, publishing, museums, galleries and libraries, and music, performing and visual arts.

39. DCMS has recently announced that the Create Growth programme will be extended for a fourth year, running until March 2026.

Economic Growth Planning

40. In October 2024 the Government released a Green Paper on the new Industrial Strategy, outlining a vision for a modern approach. A 10-year plan designed to provide the certainty and stability businesses need to invest in high-growth sectors that will fuel our growth mission.

41. In November the LLBSP hosted an interactive consultation on the Green Paper. Local business leaders, education providers, and key stakeholders gathered to share their insights and priorities.

42. The event covered topics critical to the local economy, including key sectors for growth, workforce skills, infrastructure needs, innovation, and international opportunities. Attendees provided valuable input that helped guide LLBSP in crafting a response that reflected Leicester and Leicestershire's strengths and aligns with the national goals.

43. Whilst the outcome of the consultation is awaited and the launch on the UK's Industrial Strategy, the LLBSP is currently reviewing key data on employment, business growth, and sector performance, using sources such as Midlands Engine reports, and ONS data. Key sector strengths are being identified, including advanced manufacturing, logistics, creative industries, and the low-carbon economy, while also gaining insight into local challenges like skills shortages, infrastructure requirements, and post-pandemic recovery trends.

44. Within the next 12 months the LLBSP will engage stakeholders and secure buy-in by leveraging partnerships with the local councils, universities, and major employers. This will include consultation with businesses and communities to align the strategy with real-world needs and develop public-private collaboration to maximise investment and resource-sharing.

<u>Resource Implications</u>

45. The County Council has not provided funding to support the LLEP/LLBSP. In 2024/25 Government transition funding of £231,785 was received.

46. In the Autumn Statement 2024 the Government announced that it was minded to cease funding the functions delivered by the previous LEPs and Business Board Network from April 2025. The Government subsequently launched a consultation on this proposal and a decision is anticipated imminently.

47. In the interim, the County and City Councils are currently reviewing the financial position of the LLBSP should Government funding cease.

48. The Government remains committed to Growth Hub funding, and an allocation comparable to that received in 2024/25 (£298,250) is anticipated for 2025/26.

49. The Government remains committed to Career Hub funding, and a core allocation comparable to that received in 2024/25 (£257,507) is anticipated for 2025/26.

Conclusions

50. The Commission are asked to note the update provided.

Circulation under the Local Issues Alert Procedure

51. None

Equality Implications

52. There are no equality implications arising from this report.

Human Rights Implications

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

Background papers

Report to the Cabinet 26 March 2024 – Transition of Leicester and Leicestershire enterprise Partnership (LLEP) responsibilities to upper tier local authority control
https://democracy.leics.gov.uk/documents/s182065/240326%20Cabinet%20LLEP%20Transition%20TP%20v4.pdf

Leicester and Leicestershire Business and Skills Partnership website
https://llbsp.org.uk/

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Leicestershire County Council

SCRUTINY COMMISSION – 10 MARCH 2025

2024/25 MEDIUM TERM FINANCIAL STRATEGY MONITORING (PERIOD 10)

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. The purpose of this report is to provide members with an update on the 2024/25 revenue budget and capital programme monitoring position as at the end of Period 10 (the end of January 2025).

Policy Framework and Previous Decisions

2. The 2024/25 revenue budget and the 2024/25 to 2027/28 capital programme were approved by the County Council at its budget meeting on 21 February 2024 as part of the Medium Term Financial Strategy (MTFS).

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

4. The Cabinet on 13 September 2024 approved the use of the Period 4 forecast net revenue budget underspend of £6.4m to fund an increase in the capital programme risk contingency.

Background

5. The Period 10 revenue budget monitoring exercise shows a net projected underspend of £7.5m.

6. The Period 10 capital programme monitoring exercise shows net projected slippage of £24m.

7. The monitoring information contained within this report is based on the pattern of expenditure to the end of January 2025 and projected to 31st March.

2024/25 REVENUE BUDGET MONITORING – PERIOD 10

8. The Period 10 revenue budget monitoring exercise shows a net projected underspend of £7.5m. A summary of the position on the revenue budget is shown below and set out in more detail in Appendix A.

REVENUE BUDGET MONITORING STATEMENT
FOR THE PERIOD : APRIL 2024 TO JANUARY 2025

	Updated Budget	Projected Outturn	Difference from Updated Budget	
	£000	£000	£000	%
Schools Budget – Schools and Early Years	0	-5,590	-5,590	
Schools Budget – High Needs	0	23,200	23,200	
Net Total	0	17,610	17,610	
Children & Family Services (Other)	124,197	133,237	9,040	7.3
Adults & Communities	241,074	224,614	-16,460	-6.8
Public Health	-2,606	-2,606	0	0.0
Environment & Transport	112,895	112,225	-670	-0.6
Chief Executives	16,806	16,266	-540	-3.2
Corporate Resources	41,042	40,072	-970	-2.4
Capital Financing	17,400	19,800	2,400	13.8
Contingency for Inflation	12,289	2,189	-10,100	-82.2
Other Areas	-4,113	-12,033	-7,920	n/a
Contributions to earmarked reserves	15,000	21,600	6,600	44.0
Additional commitments (capital programme risk contingency+ highways maintenance)	0	7,263	7,263	n/a
Contribution from budget equalisation reserve to balance 2024/25 revenue budget	-6,377	0	6,377	-100.0
Total	567,607	562,627	-4,980	-0.9
Funding	-567,607	-570,147	-2,540	0.4
Net Total	0	-7,520	-7,520	

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

Children and Family Services – Schools Budget

10. Overall a net overspend of £17.6m is forecast on the Dedicated Schools Grant (DSG). This comprises an overspend of £23.2m on the High Needs Block, offset by a forecast underspend of £4.4m on the Early Years Block, and an underspend of £1.1m on the Schools Block from schools' growth, which will be retained for meeting the costs of commissioning school places in future years.

11. The High Needs Block projected overspend of £23.2m in 2024/25 is £6.2m more than the £17.0m forecast included within the original MTFS due to a higher than budgeted number of High Needs students in both independent schools and mainstream schools.

- Overall there is a forecast overspend in the placement budgets of £5.7m as a result of an increase of 817 (13%) in the number of funded places. The significant increases are within mainstream schools which are forecast to be 24.2% above budget, and Post-16 further education colleges by 33.7%. The department is undertaking further analysis to understand the reasons for the increase in numbers. The overspend is driven primarily by increased demand as costs per place appear stable in most provision types. The department is investigating the utilisation of places in the Council's own specialist units, currently c.82%, to reduce the need for placements in the more costly Independent sector. An overspend on specialist teaching services and the Secondary Education Inclusion partnerships of £0.8m is also forecast.

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

12. Nationally, concern over the impact of SEND reform on High Needs expenditure, and the financial difficulties this exposes local authorities to, is growing. Whilst the Government's Green Paper is set to result in systemic changes to the national SEND system, such changes may take a number of years to be implemented, and none appear to address the funding issues. There is also no clarity on the future of the statutory override, currently due to end in March 2026.

13. Leicestershire is actively engaged within the DfE's Delivering Better Value (DBV) in SEND programme as a result of the DSG deficit. At the end of 2023/24 the accumulated High Needs deficit stood at £41.2m and this will rise to around £64.4m at the end of 2024/25, based on current projections. The Transforming SEND in Leicestershire (TSIL) programme has moved to an implementation and sustainability phase and improvements created during the design stage are being rolled out; this programme and the DBV programme are closely aligned.

14. Without new interventions the High Needs block deficit is expected to continue to increase over the MTFS period to £118m and is not financially sustainable. This creates a significant and unresolved financial risk to the Council.

15. The Early Years budget is showing an underspend of £4.4m. The budget is based on the number of hours used to calculate the original 2024/25 Early Years DSG income in December 2023. Both payments and income are higher than budgeted due to the outputs of the Free Early Education Entitlement (FEEE) expansion and a higher number of 2-year-olds with working parents and a higher number of under 2s now taking up their FEEE entitlement. Changes to the methodology and timings as to when grant income is received means part of this underspend position at the end of March 2025 will need to be

earmarked for the next term where it is likely additional spend will be incurred for those parents who are choosing to stretch their FEEE entitlement over the full 52 weeks.

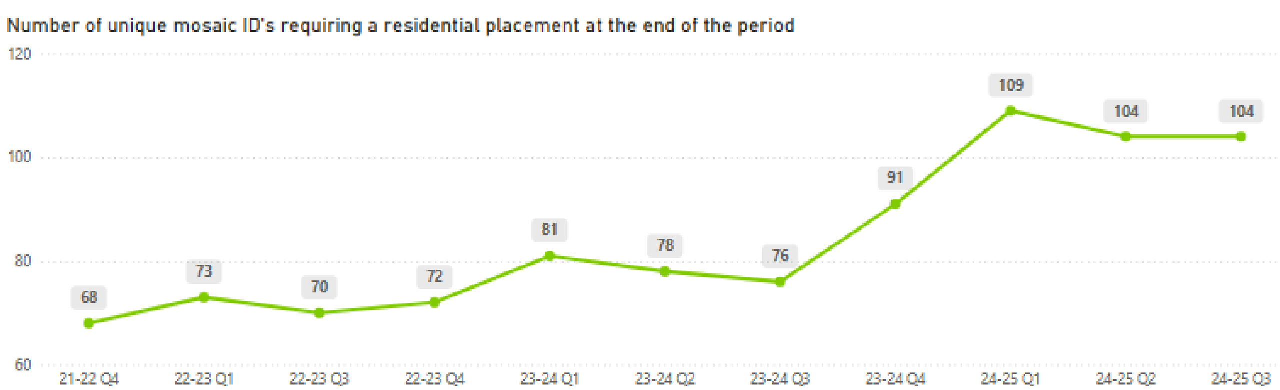
16. The overall underspend position on Early Years includes the budgeted planned underspend of £1.1m as part of the payback of previous years' Early Years deficits. The Early Years DSG deficit as at 31 March 2024 was £3.1m. The plan is to clear this deficit over 4 years which would be March 2027 at the latest.

Children and Family Services – Local Authority Budget (Other)

17. The Local Authority budget is projected to overspend by a net £9.0m (7.3%), mainly relating to projected overspends on the Children's Social Care Placements budget (£4.1m), Unaccompanied Asylum-Seeking Children's budget (£1.7m), Education Psychology Service (£1.1m), and the Disabled Children Service (£1m).

18. The projected overspend on the Children's Social Care Placement budget (£4.1m) is largely due to change in demand / numbers in relation to children in residential provision, in comparison to budgeted assumptions. The MTFS for this financial year assumes budgeted residential numbers by March 2025 to be at 86 children (this includes parent and child placements). Trend and demand analysis at the time of budget setting, based on numbers between April 2021 to January 2024, indicated that the budgeted assumption of net demand of residential numbers growing to 86 by March 2025 to be reasonable and reflective of data-driven demand analysis. However, between the period of January 2024 and summer 2024, residential numbers increased rapidly to over 100 children and have stayed at that level for the remainder of the year. Current projections, based on current trajectory plans of children, suggest children in residential provision could reach 108 by end of March 2025 (26% increase vs budgeted MTFS projection). The financial impact overall on this budget due to the change in demand is very significant.

19. The graph below shows a visual illustration of how demand in residential provision has changed over time, and the increase in demand from 2023/24 quarter 3.



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

	24/25 MTFS budgeted Assumptions by March 25		**24/25 Current Projected Position by March 25**		**Change**	
Placement Type	**Numbers**	**Weekly Cost £**	**Numbers**	**Weekly Cost £**	**Numbers**	**Weekly Cost £**
Residential Provision (Including Parent and Child)	86	6,181	108	6,055	22	-126
Independent Fostering Provision	150	926	142	975	-8	49
16plus Supported Accommodation (Non UASC)	77	1,666	80	1,855	3	189

21. The financial pressure is further compounded by market instability and provider choice which is resulting in children with a range of complex needs being ‘unattractive’ to the market (needs include violence and aggression as a result of experiencing trauma) and results in the use of high cost, £12,000+ per week per child, interim provisions until behaviour stabilises or another placement can be found. This can also result in volatility in the average unit cost of this cohort at any one time. Other sufficiency issues impacting on budget pressure include a lack of step-down options from residential provision. There are approximately 10 children who have been waiting long periods (6 months plus) for family-based placements, which reflects a similar position to 12 months ago - with continued searches and work with providers to try to identify suitable provision. This is not helped by a low recruitment pipeline for mainstream carers nationally which particularly impacts on availability of placements for older children and those with more complex needs.

22. As part of the direct actions being taken to mitigate against these financial pressures, the Defining Children and Family Services for the Future programme has several workstreams to enable MTFS benefits to be achieved alongside the Social Care Investment Programme (SCIP) working in partnership with Barnardo’s. This will have a positive impact through the creation of additional residential provision capacity for under 16’s, over 16’s and parent and children places. The Council has been successful in obtaining additional capital grant funding (match funded by the Council) to enable investment in a number of properties creating provision for 20 plus placements over the MTFS with several units now live and operational, with the remainder of units due to open over the next 12-18 months.

23. The £1.7m projected overspend position in relation to the Unaccompanied Asylum-Seeking Children (UASC) budget is largely due to the continued increase in UASC in care and care leavers, which has required a greater resource requirement to meet their needs. The impact of the development of dispersal into private residential

accommodation by the Home Office and the National Transfer Scheme (NTS) protocol development has resulted in an increase in the number of children who are UASC being accommodated by the Council.

24. Local authorities are mandated to receive UASC through the NTS if they are below their 0.05 % threshold, which is calculated from the number of UASC funding claims (for under-18s) made by that local authority, and the latest ONS estimate of that local authority's total child population at that time. In Leicestershire's case, the 0.05% threshold currently equates to 140 Looked After Children UASC aged under 18. However, this has been increased by the Home Office in January 2025 to 0.07% which will mean an increase to 145 children and young people. No consideration is given to the number of UASC care leavers aged 18+ within the allocation of the 0.07% by the Home Office. Which in turn means the Council continues to have more demand for care leaver services and the current funding for care leavers decreases, but the demand grows. The Council is working with the East Midlands Council's Strategic Migration Partnership which continues to challenge the situation with the Home Office.

25. The number of UASC care leavers is projected to grow to over 200 plus by the end of the financial year, which includes a number of UASC Looked After Children who will have turned 18 in the next six months. In addition to the UASC care leaver numbers growing, the Council will also receive more referrals from the NTS as it is likely to fall below the 0.07% threshold level of 145 Looked after Children numbers. Overall this is a significant demand and financial pressure. The table below shows the change in demand over the last three financial years, and with demand likely to increase further over the period of the MTFS.

	UASC In Care (Under 18's)	Annual % Increase	UASC – Care Leaver (Over 18's)	Annual % Increase
Mar-22	60		69	
Mar-23	97	62%	112	62%
Mar-24	132	36%	163	46%
Mar-25 (estimated)	104	-21%	224	37%

26. The Education Psychology service is projected to overspend by £1.1m in 2024/25. Difficulties recruiting into vacancies in this area have resulted in an increased reliance on locums at a significantly higher cost. Increased demand due to an increase in the number of EHCP needs assessments has further impacted the overspend position.

27. The Disabled Children Service is projecting an overspend position of £1.0m. Difficulties recruiting into vacancies within the service has resulted in an increased reliance on agency workers at a significantly higher cost (£0.3m). The remainder of the overspend position (£0.7m) relates to increased demand across both direct payments and commissioned support due to increasing numbers eligible and needing access to short breaks and wrap around support for this cohort of children on the edge of care.

28. The Special Educational Needs Assessment Service budget is currently forecast to overspend by £0.9m in 2024/25. Increased service demand and complexity has resulted in the need for additional service resources to ensure demand can be managed in the most efficient and effective manner. Although some growth funding was approved for 2024/25 this was insufficient to meet statutory responsibilities. A heavy reliance on agency workers to undertake Education, Health and Care Plan (EHCP) writing, tribunal work and to provide additional management resource has resulted in a significant forecast overspend in this area. Meanwhile mediation costs remain high, adding to the forecast.

29. There is also an increased demand for social care children in need of financial support (Section 17/23 of Children's Act 1989), which supports children with challenging behaviour, as well as children with high needs 'on the edge of care' and therefore such preventative spend is seen as a more cost effective solution, avoiding the high costs of supporting children in the actual care system. The projected overspend on this budget for this financial year is projected to be £0.7m.

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

31. As a direct response to the projected overspends as described above, the departmental management team continue to lead on a review of non-statutory services supported by the introduction of corporate led financial controls. Taken together and with continued robust management and review of vacancies within the department the output of this work is projecting to deliver some net one-off in year efficiencies, and budget opportunities of £0.9m, which includes delaying recruitment to non-essential posts where appropriate. Further work is being undertaken to explore the feasibility of this work and its scope to deliver on-going future budget efficiencies.

32. In light of the various financial pressures across the department, further mitigating actions (acting as key enablers in supporting both current and/or future MTFS savings / demand management) remain in place and include:

    a) Right service at the right time - ensuring reduced periods of care or care avoidance through family help and family support new models of working; and targeted interventions through exiting care by legal orders and step-down from residential interventions; refocusing resource on edge of care high need.

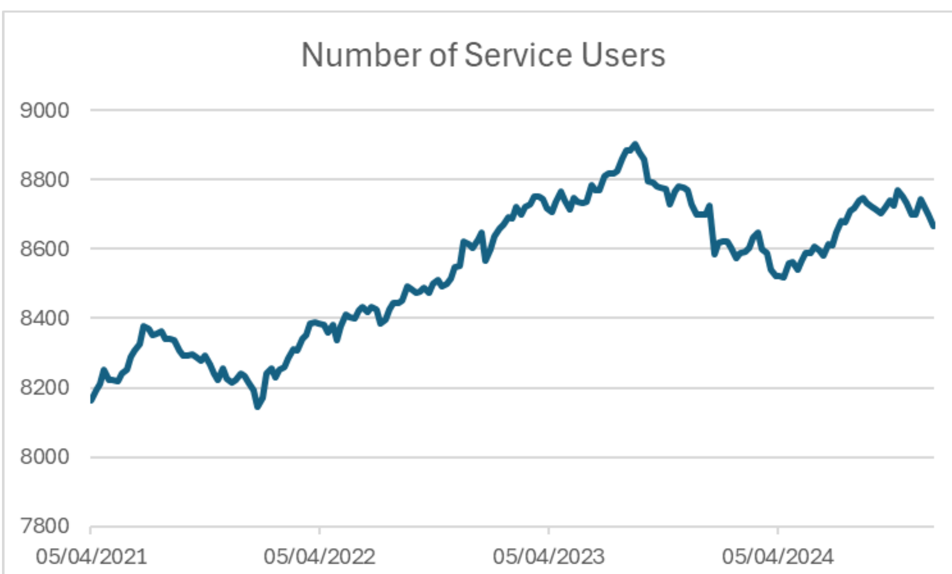
b) Improved oversight and sign off processes for those children with complex and escalating needs extending from Heads of Service to Assistant Director/Director level where appropriate.
c) Continued business activity introduced by the Defining Children's and Family Services programme focusing on children who have been referred to the Children and Family Services commissioning service for a placement and are likely to result in residential care due to market sufficiency issues or high need. This meeting is being extended to include foster care referrals received for children age 12+ who by virtue of their age and due to market pressures, are at risk of residential care.
d) Continued focussed management and review of vacancies within the department, with the output of this work projecting to deliver some one-off in year efficiencies and budget opportunities which includes delaying recruitment to non-essential posts where appropriate.

Adults and Communities

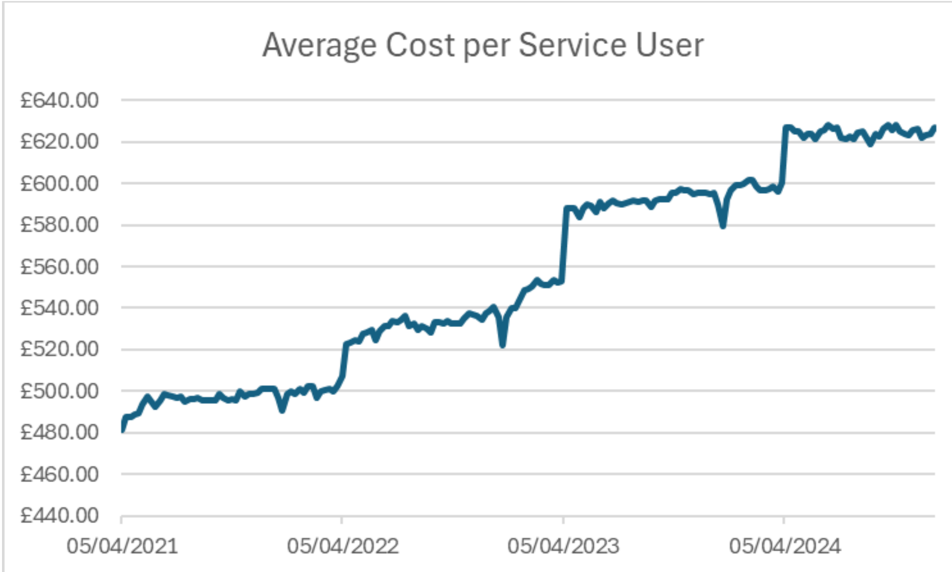
33. A net underspend of £16.5m (6.8%) is forecast for the revenue budget for 2024/25.

Overall Demand Trends

34. The chart below shows the overall number of service users being supported across Residential Care, Homecare, Supported Living, Direct Cash Payments and Community Life Choices from April 2021 through to December 2024. Prior to the introduction of the Fair Outcomes Panel in September 2023 annualised growth from April 2021 to September 2023 was approximately 3.5%. Since then, the department has worked to be more efficient with commissioning and the number of service users supported have now decreased to an annualised rate of 1.7% over the whole period.



35. The average cost per service user rose over the same time period. The rise from April 2024 relates to the annual fee review uplift. Uplifts occur in April each year.



36. The department has established a wide-ranging demand management programme and a panel to review care packages since September 2023 which has started to have an impact on all commissioned services.

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

Residential Care - £3.8m underspend

38. There is a significant increase in residential service user income which is mainly due to clearing a backlog of financial assessments which has generated an additional (£3.2m) of one-off income. This income may not be fully guaranteed due to charges being raised relating to the past. Additional health income (£1.3m) is expected due to increasing numbers of service users receiving funding. There is a overspend forecast for residential care (£0.7m) reflecting rising service user numbers in the second half of the year. The forecast is based on 2,466 service users per week costing an average of £1,076 per week.

Homecare - £2.9m underspend

39. The number of home care service users (SU) and average hours has been falling since the introduction of the Fair Outcomes Panel (FOP) in September 2023. The budget is based on an average of 2,690 SU per week. The latest forecast has an average 2,600 SU per week with an average cost per SU of £340 per week.

Supported Living - £1.7m underspend

40. The forecast anticipates an increase of approximately 20 service users over the course of the year which is lower than anticipated. This is mainly due to lower referrals coming via Care Pathway staff but also alternative ways to commission are being pursued from the Fair Outcomes Panel and in Group Supervisory Meetings. Currently there are 520 service users at an average cost of £1,638 per week.

Community Commissioned Services Income - £1.4m underspend

41. An overachievement of service user income is forecast (£0.7m) mainly from the one-off processing of the backlog of financial assessments. This income may not be fully guaranteed due to charges being raised relating to the past. Total health income is forecast to over-recover by £0.7m as the numbers of homecare and cash payment service users with health funding has grown since the Fair Outcomes Panel came into operation.

Home First - £1.3m underspend

42. Underspend relates to staffing vacancies that are in the process of being filled. Recruitment is ongoing to ensure that the new HART delivery model (intake model) is fully staffed. This will have the benefit of increasing reablement capacity reducing the commissioning of external provision when there isn't adequate HART capacity.

Discharge Fund - £1.0m underspend

43. Additional income from health: for discharges from hospital (£0.8m) plus an additional £0.2m applied to the current residential expenditure overspend.

Better Care Fund (BCF) / Other NHS Income - £1.0m underspend

44. Additional BCF and Discharge Grant income of £1.7m offset by a shortfall in Discharge to Assess (D2A) recharge income of £0.7m.

Direct Cash Payments - £0.7m underspend

45. Underspend is mainly due to a 11% reduction in service users (SU) offset by a 14% increase in SU package cost. SU numbers have decreased since budget setting and levels of new SU have halved, which is likely due to the effects of the Fair Outcomes Panel. The forecast is based on an average of 1,735 SU with an average cost of £478 per week and Carers averaging at 1,254 SU with an average cost of £52 per week. Market Sustainability and Improvement Fund (MSIF) grant has been received towards promoting the use of personal assistants for new SU's. This was implemented in August 2023 but has had a slow start with costs assumed to increase over the year.

Community Life Choices (Day Services) - £0.7m underspend

46. The number of service user peaked in October-23 and since then numbers have been lower than budgeted for. There has been a noticeable increase of 5% in service user numbers over the course of the year, which are likely to be young adults which have transitioned from the Children's and Family Services department.

47. The net underspends above are increased by a net £2.0m underspend mainly from staffing vacancies, grant income and other minor variations across the department.

Public Health

48. The department is forecasting a net underspend of £0.1m mainly due to additional Public Health Grant that has been received in year. The underspend will be transferred to the Public Health earmarked reserve.

Environment and Transport

49. A net underspend of £0.7m (0.6%) is forecast.

50. Across Highways and Transport operations a net £1.8m overspend is forecasted as a result of:

- Mainstream School Transport - £1.4m overspend. Increase in overall number of students entitled to mainstream school transport (6.7% since 2021/22) and a rise in the number of routes. Bus operational costs have also increased resulting in higher contract costs which, combined with limited bus capacity, has resulted in a greater number of pupils being transported by taxi. Furthermore, with effect from September 2024, additional costs arising from DfE statutory change to Mainstream home to school transport policy.
- Environmental and Reactive Maintenance – net overspend £1.5m in response to increasing demand for reactive repairs on a deteriorating road network and severe weather conditions. This is a statutory duty with works being undertaken in line with service policy.
- SEN Transport – £0.4m overspend. Impact of additional growth in service users over and above original growth forecasts.
- Social Care Transport - £0.7m overspend - due to an under reserve in 2023/24 and additional taxi spend, which is met by an underspend on Passenger Fleet.
- Network Management - £0.8m underspend arising from additional Temporary Traffic Regulation Order applications.
- Engineering Services - £0.8m underspend due to increase recharge to the Capital Programme for staff time incurred on capital works.
- Passenger Fleet – net underspend £0.6m due to vacant driver and escort posts, net of additional vehicle hire and maintenance costs.

51. Development and Growth services are forecasting a £0.3m underspend arising from vacancies across teams (£0.8m) offset by shortfall in developer income (£0.2m) and recharges to capital programme for staff time incurred on capital works (£0.3m).

52. There is a net underspend of £2.1m forecast on Environment and Waste Management services. Additional income from the sale of dry recyclable and electrical materials (£1.4m), together with underspends arising from staffing vacancies (£0.1m); and net underspends arising from changes to Waste treatment including diverting waste away from landfill (£0.5m). There is also a £0.1m underspend on environmental policies and initiatives due to reduced capacity for service delivery and lower take up of planned initiatives.

53. The remaining balance relates to £0.1m forecast underspends on department and business management due to staffing vacancies and reduced spend on software licenses.

Chief Executive's

54. The Department is reporting a net underspend of £0.5m, mainly due to staffing vacancies and additional income.

Corporate Resources

55. There is a projected net underspend of £1.0m (2.4%).

56. Net underspends of £2.3m mainly relate to vacancies across several parts of the Department and reduced commissioning spend. This is largely because of the introduction of tighter corporate led financial controls, together with existing robust management and review of vacancies within the Department delivering a number of in-year efficiencies.

57. The underspends are offset by contributions of £1.3m to earmarked reserves as below:

- £0.5m contribution to the Investing in Leicestershire Programme (IiLP) earmarked reserve (sinking fund) to help offset a forecast fall in the net asset value of £1.8m that will be funded from the sinking fund relating to the divestment of certain pooled property investments, explained in more detail within the IiLP section later in this report.
- £0.5m contribution to earmarked reserves to offset one-off costs related to the relocation of the data centre to a third party host from Romulus Court.
- £0.4m contribution towards a sinking fund for corporate buildings and country parks.

Central Contingencies

58. MTFS Risks Contingency (£10m original budget, £9.0m balance). £1m of the contingency has been released to provide temporary support to the Commercial Services budget. No further release of the contingency has been assumed in the projection. The balance of funding will be transferred to corporate earmarked reserves to assist with addressing the projected MTFS budget gaps in future years. The 2025-29 MTFS shows a gap of £5m in 2025/26 rising to £38m in 2026/27. To mitigate the impact it is important that wherever possible funding is set aside to meet those future years' challenges.

59. Inflation Contingency (£36.1m original budget, £12.3m balance). The contingency is currently projected to be underspent by around £10.1m. This mainly relates to lower costs on the Adult Social Care Fee review than anticipated in the MTFS. The pay settlement for Local Government staff for the current year was also lower than the assumption in the MTFS. Given uncertainty regarding the impact of changes to National Insurance from April 2025, an amount of £2m will be carried forward to 2025/26 via a transfer to earmarked reserves.

60. Service Investment Fund (£0.2m original budget). This budget has been transferred for 2024/25 purposes to the Environment and Transport budget, to be used for flood investigation and scheme development work to address flooding as well as bidding for

funding for project delivery. It will also provide capacity to administer Government flood-related grant funding.

Central Items

61. The Financing of Capital budget is forecast to be £2.4m overspent. This comprises an underspend of £0.9m (part year 2024/25) due to a reduction in interest payments following the early repayment of £39m of external debt principal during 2024/25, offset by premiums, of which £3.3m will be charged in 2024/25. Following high periods of inflation in the UK there had been an increase in the discounts available for the premature repayment of debt which will then lead to annual savings in interest payments for the next 40 years. At the start of the year the Council was £18m overborrowed against the capital financing requirement (the level of historic capital expenditure required to be funded). By year end the Council is now forecast to be underborrowed by £25m, which can be funded using internal investment balances rather than more expensive external borrowing.

62. Bank and other interest, £6.0m increased investment income. This is due to the Bank of England base rate levels being higher, and for longer than forecast, and higher than estimated average Council balances. The Bank of England base rate stands at 4.5%. Average balances remain strong due to increases in earmarked reserves, the latest phasing of spend on the capital programme and government grants received in advance.

63. Central expenditure budgets are currently forecast to underspend by £1.9m. This comprises £1.0m relating to the cleansing of receipted aged purchase orders that are no longer required, £0.7m regarding a reduction to prior year business rates relating to Beaumanor Hall, Century Theatre and other properties, and £0.2m relating to higher than forecast income from a share of the surplus for ESPO in 2023/24.

64. Additional contributions to corporate earmarked reserves of £6.6m. This relates to £3.1m to provide cover for the increase in the High Needs Block deficit, £2.5m from increased business rates income, as set out below, to be used to offset the anticipated gap in the MTFS projection in 2025/26, and a £1m contribution to the Transformation reserve, which is forecast to require additional funding over the MTFS period.

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

66. A revenue contribution to the capital programme of £0.9m is also forecast to fund increasing pressures during the year on highways capital maintenance – a net overspend of £0.9m is forecast in the capital section of this report.

67. The approved MTFS projected a net gap in 2024/25 of £6.4m which was planned to be covered by a contribution from the budget equalisation reserve. Given the current forecast position, that contribution is now forecast not to be required in the current year but is likely to be needed in future years, with the approved 2025/26 budget only being balanced with the use of reserves.

Business Rates

68. Additional Business Rates income of £1.3m is forecast in 2024/25, based on the latest information from district councils on their NNDR1 forms and forecast section 31 grants. The MTFS adopted a prudent approach and did not allow for potential real terms growth or for the full impact of inflation in charges to businesses and section 31 grants.

69. Additional Business Rates Pool levy income of £0.7m is forecast for 2024/25. The current forecasts based on data in the NNDR1 forms and monitoring exercises shows a total of £21.7m, of which one third (£7.2m) will be allocated to the County Council under the revised treatment of Levies reported to the Cabinet in June 2023, compared with the forecast of £6.5m included in the 2024/25 budget.

70. The Government has announced a redistribution of £100m from the national Levy and Safety Net fund, of which the County Council has been allocated £0.5m.

Overall Revenue Summary

71. At this stage the revenue budget is projected to underspend by a net £7.5m.

72. There are increasing pressures on the capital programme, through increasing construction costs and risks to future capital grants. The Cabinet on 13 September 2024 approved the allocation of £6.4m from the Period 4 forecast revenue outturn to increase the capital programme risk contingency. That amount could be increased from part of the net £7.5m projected underspend at period 10. The capital programme will generate future savings for the Council's revenue budget.

73. The budget for 2025/26 has recently been approved and was only balanced with the use of reserves. The significant gap in the MTFS for 2026/27 and later years budgets is still very concerning. As such, there is a need to ensure surplus funds in the current year are set aside to mitigate against the impact of these gaps. It is therefore assumed that an element of the additional net £7.5m underspend forecasted at Period 10 will be used to contribute to the budget equalisation reserve.

74. Also, the Government's intentions to proceed with Local Government Reorganisation will involve one-off costs in future years and an element of the projected underspend could be set aside to provide funding towards those costs.

75. However, the position is still subject to change and the Provisional Outturn reports to Cabinet on 27 May 2025 and the Scrutiny Commission on 9 June 2025 will include recommendations on the use of the final year-end net underspend.

CAPITAL PROGRAMME

76. The updated capital programme for 2024/25 totals £167m. This follows a review of the programme undertaken over the summer and approved by the Cabinet in September 2024.

77. The latest forecast on the capital programme for 2024/25 shows overall slippage of £24m. A summary is shown in Appendix C with details of the variances provided in Appendix D.

78. The main variances are reported below.

Children and Families

79. The Department is forecasting net acceleration of £7m. The main variances include:

80. Provision of School Places Programme – net £9.3m acceleration across the following schemes –
    - Shepshed Iveshead School +£5.7m, Hastings High School +£2.6m, Hinckley Redmoor Academy +£2.4m and Oadby Manor High School +£1.3m have progressed earlier than the original prudent timelines.
    - Slippage of -£1.8m on Brocks Hill Primary as planning permission is rescheduled to March 2025, and slippage of £-0.3m at Weland Park School.

81. SEND Programme – slippage of £2m due to revised project timelines to two schemes following the review and refinement of the scope of the works with the schools.

Adults and Communities

82. The Department is forecasting net slippage of £1.5m on the Social Care and Improvement Programme (SCIP). This relates to two extra care schemes that have not progressed out of the planning stage as quickly as intended due to the need to ensure financial viability. However, both projects are expected to progress in 2025/26.

Environment and Transport

83. The Department is forecasting net slippage of £17.5m and an overspend of £0.9m. The main variances are described below.

84. Melton Distributor Road, £8.6m slippage as the latest estimated timetable for the scheme is highlighting more deliverables anticipated in 2025/26 rather than 2024/25. The programme of works remains flexible to accommodate weather events, reprioritising works to appropriate times to ensure completion of the overall programme remains on track. The scheme is expected to be complete in early 2026. The overall cost estimate for the scheme remains as per previous forecasts.

85. Vehicle Replacement Programme, £2.9m slippage due to additional procurement requirements after a supplier ceased trading resulting in a delayed programme.

86. Zouch Bridge, £1.0m slippage. Work on the scheme is underway with latest estimation highlighting more work to be completed in 2025/26 and less in 2024/25. The programme commenced this year and demobilising in the winter months in line with anticipated

Environmental Agency permit constraints. The review of deliverables timetable does not highlight any concerns with completion of the programme.

87. Other schemes:
- Advance Design, £1.3m slippage due to alignment of programme to Multi Module Area Investment Plans (MMAIP) and delivery of cycling and walking programmes.
- Safety Schemes, £0.6m slippage due to awaiting outcomes from the community speed management initiative survey due March 2025.
- Melton Depot Replacement, £0.5m slippage to due working on designs for the programme being lengthier than anticipated.
- Property flood risk alleviation, £0.5m slippage due to latest project profiles.
- Traffic Signal Renewals, £0.5m slippage due to procurement delays relating to the DfT funded Traffic Signal Obsolesce Grant.

88. There is also a net overspend of £0.9m across the departmental programme mainly relating to additional expenditure of £1.7m on highways maintenance schemes, restorative and preventative including road patching/dressing due to the need to keep the network safe following deterioration of highway assets. Additional government grant funding has been included in the new MTFS 2025. The overspends are offset by various underspends on other capital schemes across the departmental programme.

Corporate Resources

89. The Department is forecasting net slippage of £1.8m and an underspend of £0.5m. The main variances are:

- Climate Change (Energy Initiatives) - £0.6m slippage awaiting the design of the fleet transition plan and £0.2m as awaiting the outcome of match funding bids.
- ICT - End user device programme (PC, laptop), £0.5m slippage agreed by the ways of working programme board to ensure refresh funds are available beyond the existing MTFS period.
- Property Services - £0.4m slippage across various smaller schemes due to revised completion.
- Workplace Strategy – Office Infrastructure, £0.4m underspend due to latest estimations of works remaining costing less than previously anticipated.

Corporate Programme

90. The programme is forecasting slippage of £10.7m. The main variances are:

- Airfield Business Park, £4.5m slippage, project spend reprofiled due to delays with signing build contract.
- Lutterworth East Planning and Pre highway construction works programme, £3.2m slippage. This follows a review of the scheme, reported to the Cabinet in June 2024. The revised profile shows the majority of spend being incurred in 2025/26 and 2026/27.

- Lutterworth Leaders Farm Drive Thru Restaurants, £2.7m slippage due to requirement to obtain highways approval for a pedestrian crossing on the A4303 dual carriageway.

Capital Receipts

91. The latest estimate of capital receipts in 2024/25 is £15.4m, in line with the budget. The estimate includes £4.8m of new land and building disposals, £5.7m from the sale of pooled property funds and £4.9m from unapplied capital receipts brought forward from 2023/24.

Investing in Leicestershire Programme – Quarter 3, 2024/25 update

92. The Investing in Leicestershire Programme (IiLP) is an integral part of the MTFS. Investments in property and other indirect holdings generate income that supports the Council's MTFS whilst contributing to the wider strategic objectives of the Council and the economic wellbeing of the area. The IiLP Strategy is approved annually as part of the MTFS.

93. A summary of the IiLP position at quarter three for 2024/25 is included within Appendix E and shows total forecast income for the year of £8.5m which is in line with the budget for 2024/25. The total budget is split between direct core holdings and diversifier investments as shown in the appendix. The position also includes a contribution to the sinking fund of £2.1m in 2024/25 (the sinking fund totalled £2.6m at the end of 2023/24). The current plan is to increase the amount held in the sinking fund to £7m by the end of the MTFS period assuming no large utilisation is needed. At present any in year outperformance to the budget will be used to accelerate building of the sinking fund.

94. The overall in year forecast net return for the IiLP is 5.2% for 2024/25 when excluding the development assets still in construction, and rural portfolio. Including these asset classes reduces the forecast net income return to 3.0% for the year as a consequence of the low percentage returns against the rural portfolio which is expected and nil income against the development assets.

95. The Quorn solar project has now been withdrawn and as such forecast income from 2026/27 has been removed and will be replaced by other in-flight projects. The site has now been marketed for sale or lease with the planning permission to build a solar farm to a purchaser. The decision to sell or lease the site to a prospective buyer is primarily based on the technical knowledge and experience required to build a solar farm in the timescale as determined by the grid connection the County Council has procured. Bids have now been assessed, and a preferred bidder has been identified.

96. The diversifiers are indirect holdings with the purpose of reducing overall portfolio risk by investing in differing asset classes and geographies. Four separate types of investment are included: UK pooled property funds, a global infrastructure fund, three vintages of a pooled private credit strategy and a bank risk share strategy. The aim is to provide diversified income from a variety of differing sources.

97. One of the four pooled property funds within the diversifier's portfolio is in the process of being liquidated after large investors requested redemptions. The liquidation comes at a time when property prices have fallen as interest rates rose through 2022 and 2023. The IiLP programme invested £7.5m in this fund in December 2015 and as at 31 March 2024 had a net asset value of £5.7m, a £1.8m capital loss if all the assets could be sold at the property managers' valuation. The IiLP fund has had £2.0m in income over the time of the investment and will continue to earn income, albeit at lower levels, as assets are sold. Another one of the four investments is also undergoing restructuring as the result of a large number of redemption requests, it is likely that the IiLP will receive its capital returned during 2025. This Fund, at present is valued at just below the original investment and has received £2.5m in income since the first investment was made in February 2016.

98. No new diversifiers are being committed to during 2024/25 although the Partners' MAC 7 (private debt) has called capital totalling £6.6m and has uncalled commitments of c.£3m which are likely to be called through 2025/26. The diversifiers' forecast net income for this year is £5.2m which is £2.3m ahead of the budget largely as a result of income from the bank risk share investment being ahead of forecast. The additional income will be added to the sinking fund as previously mentioned.

99. An independent review of the Fund was undertaken by Hymans Robertson in December 2023. The report recognizes the challenges faced by the property market resulting from higher interest rates and inflation over the past two years and acknowledged the challenges facing the market and the IiLP. The report made a number of recommendations including setting ranges / limits on exposure to individual assets, tenants, property sectors and asset classes in order to guide the development of the portfolio. It also recommended the IiLP explore opportunities to dispose of selected properties, partly to adjust property sector allocations but also to recycle funds into developments.

Recommendation

100. The Scrutiny Commission is asked to note the contents of this report.

Circulation under the Local Issues Alert Procedure

None.

Equality and Human Rights Implications

There are no direct implications of this report.

Background Papers

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

Report to the Cabinet – 13 September 2024– Medium Term Financial Strategy – Budget Monitoring and MTFS Refresh
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7509&Ver=4

Appendices

Appendix A: Revenue Budget monitoring statement
Appendix B: Revenue budget major variances
Appendix C: Capital Programme monitoring statement
Appendix D: Capital Programme – forecast main variances and changes in funding
Appendix E: Investing in Leicestershire Programme – 2024/25 Quarter 3 update

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APPENDIX A

REVENUE BUDGET MONITORING STATEMENT 2024/25
(AS AT PERIOD 10)

	Updated Budget	Projected Outturn	Difference from Updated Budget	
	£000	£000	£000	%
Schools Budget				
Schools	73,538	72,388	-1,150	-1.6
Early Years	63,169	58,729	-4,440	-7.0
DSG Funding	-136,707	-136,707	0	0.0
	0	-5,590	-5,590	
Earmarked reserve - start of year			*-9,167*	
Earmarked reserve - end of year			*-14,757*	
High Needs	107,112	130,312	23,200	21.7
Dedicated Schools Grant (DSG)	-107,112	-107,112	0	0.0
	0	23,200	23,200	
Earmarked reserve - start of year			*41,188*	
Earmarked reserve - end of year			*64,388*	
LA Budget				
Children & Family Services (Other)	124,197	133,237	9,040	7.3
Adults & Communities	241,074	224,614	-16,460	-6.8
Public Health *	-2,606	-2,606	0	0.0
Environment & Transport	112,895	112,225	-670	-0.6
Chief Executives	16,806	16,266	-540	-3.2
Corporate Resources	41,042	40,072	-970	-2.4
DSG (Central Dept. recharges)	-2,285	-2,285	0	0.0
MTFS risks contingency	8,970	8,970	0	0.0
Contingency for Inflation/Living Wage	12,289	2,189	-10,100	-82.2
Total Services	552,382	532,682	-19,700	-3.6
Central Items				
Financing of capital	17,400	19,800	2,400	13.8
Bank & other interest	-14,200	-20,200	-6,000	42.3
Central expenditure	3,402	1,482	-1,920	-56.4
Total Central Items	6,602	1,082	-5,520	-83.6
Contribution to earmarked reserves	15,000	21,600	6,600	44.0
Additional commitments (capital programme risk contingency)	0	6,363	6,363	n/a
Additional funding of 24/25 capital programme - highways mair	0	900	900	n/a
Contribution from budget equalisation reserve to balance 2024/25 revenue budget	-6,377	0	6,377	-100.0
Total Spending	567,607	562,627	-4,980	-0.9
Funding				
Revenue Support Grant (new burdens)	-29	-29	0	0.0
Business Rates - Top Up	-42,383	-42,383	0	0.0
Business Rates Baseline / retained	-31,490	-32,540	-1,050	3.3
S31 Grants - Business Rates	-17,517	-17,727	-210	1.2
Allocation of Business Rates Pool Levies	-6,500	-7,220	-720	n/a
Business Rates -national Levy surplus	0	-520	-520	n/a
Council Tax Precept	-397,916	-397,916	0	0.0
Council Tax Collection Funds - net suplus	-1,918	-1,918	0	0.0
New Homes Bonus Grant	-1,012	-1,012	0	0.0
Improved Better Care Fund Grant etc.	-14,190	-14,190	0	0.0
Social Care Grant	-43,697	-43,697	0	0.0
Services Grant	-394	-434	-40	10.2
ASC Market Sustainability & Improvement Fund	-10,562	-10,562	0	0.0
Total Funding	-567,607	-570,147	-2,540	0.4
Net Total	**0**	**-7,520**	**-7,520**	

* Public Health funded by Grant (£27.4m)

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APPENDIX B

Revenue Budget 2024/25 – forecast main variances (Period 10)

Children and Family Services

Dedicated Schools Grant

A net overspend of £17.6m is forecast. The main variances are:

	£000	% of Budget
DSG High Needs Block (HNB) earmarked reserve drawdown	**17,025**	**n/a**
The DSG budget in the original MTFS includes an estimated HNB drawdown of £17.0m as the forecast in year overspend.		
Special Educational Needs	**5,700**	**5.0%**
Higher than budgeted numbers of High Needs students in both independent schools and mainstream schools is resulting in a forecast overspend for the year. This is partially offset by vacant places at ASD (autistic spectrum disorder) and SEMH (social emotional and mental health) units.		
Secondary Education Inclusion Partnerships	**505**	**16%**
Secondary Education Inclusion Partnerships are supporting a growing number of secondary students.		
Specialist Teaching Service	**385**	**16%**
The STS Service is a fully HNB funded service, with a fixed budget envelope, and does not receive inflation in response to pay awards. It also has a built-in annual savings target which is usually achieved through in-year vacancy savings. This year due to the significant, unfunded pay award, this target is forecast not to be met.		
High Needs Dedicated Schools Grant	**205**	**n/a**
The budget includes estimated 24/25 High Needs Grant of £108.456m as published by the DfE in December 2023. This has been updated in July 2024 and includes a reduction in grant value of £207k due to an increase in students placed in provisions outside of Leicestershire as at Spring census date than the same point the previous year.		
Early Years /Nursery Education Funding	**-4,440**	**-4%**
The Early Years budget is showing an overall underspend of £4.4m. The budget is based on the number of hours used to calculate the original 2024/25 Early Years DSG income in December 2023. Both payments and income are higher than budgeted due to the outputs of the Free Early Education Entitlement (FEEE) expansion and a higher number of 2-year-olds with working parents and a higher number of under 2s now taking up their FEEE entitlement. Changes to the methodology and timings as to when Grant income is received means part of this underspend position at the end of March 2025 will need to be ear-marked for the next term where it is likely additional spend will be incurred for those parents, we are choosing to stretch their FEEE entitlement over the full 52 weeks. As part of this overall underspend position includes the budgeted planned underspend of £1.1m as part of the payback of previous years' Early Years deficits. The Early Years DSG deficit as at 31 March 2024 was £3.1m. The plan is to clear this deficit over 4 years which would be March 2027 at the latest.		
Schools Growth / Budget Allocations	**-1,130**	**-40%**
This funding has been earmarked to help meet the revenue costs associated with new schools. The underspend will be transferred to the DSG earmarked reserve to fund pupil growth in future years.		
Education - Medical Grounds	**-100**	**-18%**
This is due to vacant posts in year.		
Other variances (under £100k)	**-540**	**n/a**
TOTAL	**17,610**	**n/a**

Local Authority Budget

The Local authority budget is forecast to overspend by £9.0m (7.3%). The main variances are:

	£000	% of Budget
Children's Social Care Placements	**4,075**	**7%**
Change in demand/numbers in relation to children in residential provision, in comparison to budgeted assumptions is showing a projected significant overspend position for this financial year. The MTFS for this financial year assumes budgeted residential numbers by March 25 to be at 86 children (includes Parent and Child placements). Trend and demand analysis at the time of budget setting looking back from April 21 to Jan 24 would suggest budgeted assumption of net demand of residential numbers growing to 86 by March 25 to be reasonable and reflective of data-driven demand analysis. However, between the period of Jan-24 and now, residential numbers increased rapidly, and the financial impact of this change is significant. Current projections based on child trajectory plans, plus new demand suggest by the financial year end this could rise to 108 children in either residential or Parent and Child Placements. This represents a 26% increase in projected placements vs budgeted position. The projected overspend has reduced since last reporting period due to the ending and stepping down of the highest cost placement this financial year (£20k plus per week).		
Unaccompanied Asylum Seeking Children (UASC)	**1,705**	**34%**
The continued increase in UASC in care and care leavers has required a greater resource requirement to meet their needs. The different entry routes include both the National Transfer scheme, as well as spontaneous arrivals, but more recently through the hotel dispersal scheme where requests to accommodate people placed in Asylum Dispersal Hotels in Leicestershire are made, and whilst they have been deemed adults by the Home Office, subsequently claim to be children, and creates an additional pressure for the service to manage which is not fully funded. In addition, delays in asylum claim processes mean that the Council is often accommodating young people well past 18 and the Home Office funding drops significantly at 18 but the costs do not.		
Educational Psychology Service	**1,125**	**85%**
Difficulties recruiting into vacancies in this area has resulted in an increased reliance on locums at a significantly higher cost. Increased demand due to an increase in the number of Education, Health and Care Plan (EHCP) needs assessments has further impacted the projected overspend position.		
Disabled Children Service	**1,005**	**26%**
Difficulties recruiting into vacancies within the service has resulted in an increased reliance on agency workers at a significantly higher cost (£0.3m). Remainder of overspend position (£0.7m) relates to increased demand across both direct payments and commissioned support due to increasing numbers eligible and needing access to short breaks and wrap around support for this cohort of children on the edge of care.		
SEN Service Budget	**865**	**34%**
Increased service demand and complexity has resulted in the need for additional service resource to ensure demand can be managed in the most efficient and effective manner. Although some growth funding was approved for 24/25, this was insufficient to meet statutory responsibilities. A heavy reliance on agency workers to undertake EHCP writing and tribunal work has resulted in a significant forecast overspend in this area. Meanwhile mediation costs remain high, adding to the forecast overspend.		
Social Care Children in Need - Section 17/23 support	**660**	**152%**
Increased demand, including for support at home for children with challenging behaviour which is more costly for some children with high needs and 'on the edge of care'.		
Frontline Social Care Service Budgets	**545**	**4%**
There are further projected budget pressures linked to frontline social care service budgets – mainly within Family Safeguarding and First Response due to some recent challenges with caseload management linked to incoming service demand. Due to staffing pressures in First Response service and increased demand, additional agency staff were required for a period of time. This has led to a review of longer-term need in staffing for the service. In respect of Family Safeguarding, continued struggles to recruit experienced social workers has led to recruiting more newly qualified social workers needing agency staff working alongside them for the first 12 months. This will enable the service in 12 months' time to have a suitably experienced and skilled permanent workforce. The reliance on agency will reduce after 6 months with a significant reduction in 12 months. Agency usage and appropriateness is reviewed on a monthly basis as part of business-as-usual practice.		

Departmental Financial Controls / Vacancy Control Management	-940	n/a
As a direct response to the projected overspends as described above, CFS's departmental management team have led a of review non statutory services, supported with the recent introduction of corporate led financial controls, and together with a robust management and review of vacancies within the department, with the output of this work projecting to deliver some net one-off in year efficiencies, and budget opportunities, which included delaying recruitment to non-essential posts where appropriate. Further work is being undertaken to explore the feasibility of this work and its scope to deliver on-going future budget efficiencies.		
TOTAL	**9,040**	**n/a**

Adults & Communities

The Department has a net forecast underspend of £16.5m (6.8%). The main variances are:

	£000	% of Budget
Extra Care	**220**	**60%**
Overspend due to additional changes made to the service (including floating support) after the budget was set. Additional spend is intended to assist in making progress on the savings target for service users having more higher needs by supporting through extra care.		
Residential Care and Nursing	**-3,820**	**-4%**
There is a forecast overspend for residential care (£1.1m). The trend in the second half of the year has seen an increase in service user numbers, and that has resulted in this forecast overspend position offsetting gains made. The forecast is based on 2,466 service users per week costing an average of £1,076 per week. There are also fewer service users in shared lives residential placements creating an underspend (£0.4m). Residential service user income is currently forecasting a significant increase in income, mainly due to clearing a backlog of financial assessments which has generated an additional (£3.2m) one off income and there is additional of health income (£1.3m) due to increasing numbers of service users with funding following the introduction of the Fair Outcomes Panel.		
Homecare	**-2,890**	**-6%**
The number of home care service users and average hours had been falling since the introduction of the Fair Outcomes Panel (FOP) in September 23. The budget is based on an average of 2,690 service users per week. At the start of the year there were 2,550 service users. As at December the numbers are around 2,600. Average hours per service user year to date is 10.7 per week and there is currently an upward trend. However the average cost per week is stable at £340. Invoices from suppliers from 2023/24 have been estimated to be £800k which is in line with previous years levels.		
Supported Living	**-1,715**	**-4%**
Estimated to be an increase of approximately 20 service users over the course of the year which is lower than anticipated. The forecast is lower than budget as there are lower referrals coming via Care Pathway staff but also alternative ways to commission are being pursued from the Fair Outcomes Panel and in Group Supervisory Meetings. Currently there are 520 service users at an average cost of £1,638 per week.		
Community Commissioned Services Income	**-1,370**	**-4%**
Currently forecasting overachievement for the Non-Residential Client Income budget £710k. This is mainly from the one-off processing of the backlog of financial assessments. This income may not be fully guaranteed due to charges being raised relating to the past. Total health income is forecast to over-recover by £660k as the numbers of homecare and cash payment service users with health funding has grown since the FOP came into operation.		
Home First	**-1,260**	**-12%**
Underspend relates to staffing vacancies. Recruitment is ongoing to ensure that the new HART delivery model (intake model) is fully staffed. This will have the benefit of increasing reablement capacity reducing the commissioning of external provision when there isn't adequate HART capacity.		
ASC Discharge Funding	**-1,000**	**n/a**
Additional income for reablement packages from Health element to support discharges from hospital £800k, plus £200k towards Residential Overspend.		
Better Care Fund (Balance) / Other NHS Income	**-1,000**	**-4%**
A shortfall in Discharge to Assess (D2A) recharge income of £0.7m. Offset by additional BCF and Discharge Grant income of £1.7m.		

Direct Cash Payments	**-735**	**-2%**
Underspend due to 11% reduction in service users (SU) offset by a 14% increase in SU package cost. SU numbers have decreased since budget setting and level of new SU have halved, which is likely due to the effects of the Fair Outcomes Panel. Averaging at 1735 SU with an average weekly cost of £478 and Carers averaging at 1254 SU with an average weekly cost of £52. MSIF Grant received towards new SU's with increased Personal Assistant rates. This was implemented in August 2023 but has had a slow start with costs assumed to increase over the year.		
Community Life Choices (CLC) Commissioned Services (Day Services)	**-735**	**-8%**
An underspend from a lower number of service users than originally budgeted for due to the Fair Outcomes Panel. The budgeted average number of service users was 669, however as at January the forecasted average is 650. It should be noted however, that there has been a noticeable increase of 5% in service user numbers which are likely to be young adults which have transitioned from the Children's and Family Services Department.		
Care Pathway - Cognitive & Physical Disability	**-650**	**-8%**
Various staffing underspends due to vacant posts across which are in the process of being recruited to.		
Supported Living, Residential and Short Breaks Team	**-560**	**-11%**
Difficult to recruit staff in current social care market across our Short Break sites leading to vacancies. Agency usage is limited under new financial controls. Operational improvements are required which were highlighted by the CQC, work is ongoing to remedy this. Work is ongoing to improve the utilisation of the Short Breaks sites.		
Care Pathway - Heads of Service (Integration, Access and Prevention) & Strategic Service Managers	**-265**	**n/a**
Additional Better Care Fund (BCF) funding for Care Act implementation £30k. Additional Prisons Grant increase of £100k for Fosse Way and £100k underspend on staffing costs.		
Social Care Investment	**-150**	**-23%**
The budget for work undertaken from other departments/external consultants for SCIP projects is likely to underspend due to a lower number of new upcoming schemes.		
Business Support & Strategy and Planning	**-105**	**-5%**
Various staffing underspends due to vacant posts across which are in the process of being recruited to.		
Other variances (under £100k)	**-425**	**n/a**
TOTAL	**-16,460**	**n/a**

Public Health

The Department has a projected underspend of £0.1m which will be transferred to the Public Health earmarked reser

	£000	% of Budget
Public Health earmarked reserve	**100**	**n/a**
Net forecast underspend on Public Health budgets to be offset by a contribution to the Public Health earmarked reserve.		
0-19 Children's Public Health	**475**	**5%**
Variance mainly due to the Agenda for Change payment (+£514k), offset by Teen Health underspends on Continence support (-£40k).		
Community Delivery	**165**	**14%**
Variance is mainly due to transfer from reserves (+£54k) not required as other cost centres underspending, and investment in Warm Homes (+£108k).		
NHS Health Check programme	**75**	**17%**
Overspend due to higher activity on Health Checks by GPs than there has been in the past few years.		
Public Health Leadership	**-430**	**2%**
Includes additional Public Health grant (-£868k) to fund Agenda for Change costs, and a transfer from reserve (+£416k) not required to offset underspends on other cost centres.		
Sexual Health	**-290**	**-7%**
Contraception net underspend of -£172k due to reduced activity and -£112k underspend on Sexual Health Advice de to re-negotiated contract.		
Other variances (below £50k)	**-95**	**n/a**

TOTAL	**0**	**n/a**

Environment and Transport

The Department is forecasting a net underspend of £0.7m (0.6%). The main variances are:

	£000	% of Budget
Mainstream School Transport	**1,395**	**31%**
Overspend continues to reflect increased costs and reduced competition which have meant that contract prices have remained high and not been able to recover from the fuel crisis. This position reflects that of authorities across the country. Forecast includes anticipated additional cost of policy change from September 2024 to meet new DfE requirements. Forecast overspend position includes £610k relating to growth that has been experienced over recent years due to an increased number of service users and also an increased proportion of pupils requiring taxi transport to accommodate both the increase and disparity of routes. Growth has been included in the new 2025 MTFS budget.		
Reactive Maintenance	**1,355**	**44%**
Overspend in reactive repairs to meet demands, network deterioration and comply with policy, in addition to additional costs due to recent flooding and storm damage events.		
Highways & Transport - Staffing & Admin Delivery	**700**	**20%**
Overspend due to a shortfall in capital recharge income and overtime costs.		
Social Care Transport	**655**	**9%**
Forecast reflects savings work undertaken to reduce costs as part of the Assisted Transport Programme. Overspend includes £399k due to an under reserve in 2023/24, plus additional costs arising from unanticipated ad-hoc bookings for social care transport.		
Treatment and Contracts	**430**	**3%**
Overspend due to diversion from landfill into Energy from Waste (EfW) and Refuse Derived Fuel (RDF) Treatment.		
SEN Transport	**420**	**2%**
Forecast overspend reflects the impact of additional growth in service users during 2023/24 and 2024/25, over and above predicted growth. Original forecast growth in taxi / Personal Travel budgets (PTB) service users was 5.54% in 2023/24 and 8.64% in 2024/25. Actual growth was 8.28% in 2023/24 and is predicted to be 9.57% in 2024/25. The budget allocation for growth was therefore too low in both 23/24 and 24/25. Growth has been included in the new 2025 MTFS budget. The additional demand being experienced by LCC reflects the position of authorities across the country.		
Environmental Maintenance	**195**	**3%**
Forecast variance as a result of additional flooding and storm damage events.		
Highways & Transport - Staffing & Admin	**105**	**3%**
Overspend due to capital recharge income shortfall partly offset by vacancies across the service area.		
Staffing , Admin & Depot Overheads	**-2,405**	**-155%**
Underspend due to additional capital recharge income, increased Highways Network Management permitting and Temporary Traffic Regulation Orders (TTRO) income, staffing vacancies, vehicle access income and highways operatives labour/overhead.		
Dry Recycling	**-1,225**	**-46%**
Mainly due to higher dry recycling materials income, prices higher than expected.		
Landfill	**-660**	**-16%**
Underspend due to diversion from landfill into Energy from Waste (EfW) and Refuse Derived Fuel (RDF) Treatment.		
Passenger Fleet	**-595**	**n/a**
Overall underspend on passenger fleet due to vacant driver and escort posts, net of additional vehicle hire and maintenance costs.		
Haulage and Waste Transfer	**-190**	**-7%**
Lower bulk haulage than budgeted due to operational changes and lower fuel prices.		
Highways & Transport Network -Staffing & Admin	**-155**	**-8%**
Underspend due to vacancies across the service area which are partly offset by a shortfall in developer income and capital recharge income.		
Development and Growth	**-145**	**-11%**
Underspend due to vacancies across the service area which are partly offset by a capital recharge income shortfall.		

Management and Admin	**-115**	**-5%**
Underspend due to vacancies across Department and Business Management.		
Staffing and Admin	**-110**	**-5%**
Underspend due to vacancies and timing of recruitment across E&W Commissioning.		
Initiatives	**-105**	**-35%**
Underspend on environmental policies and initiatives due to reduced capacity for service delivery and lower take up of planned initiatives.		
Income	**-100**	**7%**
Increased Trade Waste Income.		
Other variances (under £100k)	**-120**	**n/a**
TOTAL	**-670**	**n/a**

Chief Executive's

The Department is forecasting a net underspend of £0.5m (3.2%). The main variances are:

	£000	% of Budget
Departmental Items	**150**	**n/a**
Departmental-wide saving for staffing vacancy held in this budget. Overspend here is offset by underspends elsewhere in the department.		
Legal Services	**55**	**1%**
Variance due to an overspend on staffing due to the use of Locums to fill vacancies (+£44k), unfunded Education Solicitor post (+£59k), increased running costs (+£52k), reduced transfer from reserves (+£60k) and lower income (+£60k), offset by an underspend on demand-led budgets (-£220k).		
Growth Service	**-400**	**-31%**
Underspend mainly due to forecast staffing vacancies (-£365k) and lower running costs (-£53k).		
Democratic Services and Administration	**-205**	**-14%**
Variance due to staffing vacancies.		
Trading Standards	**-70**	**-3%**
Variance due to staffing vacancies (-£199k) and additional income (-£76k), offset by increased running costs (+£50k) and a transfer to reserve of £153k for the implementation of the new Trading Standards database.		
Business Intelligence	**-70**	**-4%**
Variance due to -£98k additional income offset by increased staffing and running costs (+£28k).		
Registrars	**0**	**0%**
Underspend of £200k mainly due to increased income as a result of buoyant demand for wedding ceremonies, offset by a £200k transfer to reserve to fund refurbishment work at the South Wigston Registration Office.		
Other variances (under £50k)	**0**	**n/a**
TOTAL	**-540**	**n/a**

Corporate Resources

The Department has a net forecast underspend of £1.0m (2.4%). The main variances are:

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

ICT	**-910**	**-6%**
The underspend mainly relates to vacancies within the different teams due to the difficult recruiting market for specific vacancies.		
Corporate Projects	**-230**	**-70%**
Reduction in requirements for project expenditure.		
Strategic Finance	**-215**	**-4%**
Vacancies and additional staffing income from recharges across Strategic Finance services.		
Operational Property	**-205**	**-3%**
Reduced electricity costs and staffing vacancies across several Operational Property Teams.		
East Midlands Shared Services (EMSS)	**-160**	**-6%**
The Councils share of the EMSS underspend due to vacancies.		
Learning and Development	**-120**	**-8%**
Early achievement of savings. Underspend forecast mainly on training budget, this will continue to be reviewed as part of financial controls.		
Human Resources	**-110**	**-5%**
Underspend due to staffing vacancies.		
Other variances (under £100k)	**-380**	**n/a**
TOTAL	**-970**	**n/a**

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APPENDIX C

CAPITAL PROGRAMME MONITORING STATEMENT (PERIOD 10)

	Revised Capital Programme 2024/25* £000	Changes in Funding 2024/25 £000	Updated Budget 2024/25 £000	Forecast 2024/25 £000	Updated Budget v Forecast Variance £000
Children & Family Services	44,219	26	44,245	51,389	7,144
Adults and Communities	6,419	660	7,080	5,579	-1,500
Environment & Transport	95,149	639	95,788	79,146	-16,641
Chief Executive’s	0	0	0	0	0
Corporate Resources	4,301	0	4,301	1,963	-2,338
Corporate Programme	16,074	0	16,074	5,344	-10,730
Total	**166,162**	**1,325**	**167,487**	**143,422**	**-24,065**

* Updated programme approved by the Cabinet in September 2024.

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APPENDIX D

Capital Programme 2024/25 – forecast main variances

Children and Family Services

The forecast at Period 10 shows net acceleration of £7m

	£000
Additional school places - net acceleration	**9,393**
Progress to date and forecast to the end of the year has resulted in a forecast acceleration from 2025/26: Shepshed Iveshead - £5.7m; Hastings High School - £2.6m; Hinckley Redmoor Academy - £2.4m Manor High - £1.3m Oadby Brocks Hill Primary - slippage of £1.8m as planning permission delayed until March. Welland Park - slippage of £0.3m due to revision to the scope of works. Slippage of £0.5m on unallocated additional places schemes programme.	
SEND	**-2,078**
Slippage of £0.8m on Birchwood and £0.9m on Oakfield South school following detailed discussions and refining of the project scope with the schools resulting in revised estimated start dates. Also slippage of £0.3m on other unallocated schemes.	
SCIP	**-170**
Welland Park - This scheme has hit a number of setbacks, including contractor insolvency, vandalism and burglary at the site. This has impacted delivery timeframes and the scheme will now not be completed until at least Summer 2025.	
TOTAL	**7,145**

Adults & Communities

Slippage of £1.5m is forecast compared with the updated budget. The variance is as follows:

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

Environment and Transport

Net slippage of £17.5m and a net overspend of £0.9m is forecast compared with the updated budget. The main variances are:

	£000
Restorative/Preventative Maintenance	**2,159**
Forecast additional costs on restorative maintenance works due to the need to keep the network safe due to the deterioration of highway assets. This has resulted in the following additional costs: £0.5m Roadmender works, £0.7m Carriageway Patching, £0.6m Surface dressing pre-patching, £0.2m Footways. Additional government grant funding has been included in the new MTFS for highways maintenance.	
Melton Mowbray Distributor Rd	**-8,570**
Slippage as the latest estimated timetable for the scheme is highlighting more deliverables anticipated in 2025/26 rather than 2024/25. The programme of works remains flexible to accommodate weather events, reprioritising works to appropriate times to ensure completion of the overall programme remains on track.	

Vehicle Replacement	**-2,854**
Due to additional procurement requirement on mini buses after original supplier ceased trading, resulting in a delayed programme and delivery of vehicles.	
Advanced Design	**-1,302**
The forecast has been aligned to the delivery of the Multi Module Area Investment Plans (MMAIP) as part of the 2025/26 MTFS process identifying slippage in the programmes.	
Zouch Bridge	**-1,000**
Work on the scheme is underway with latest estimation highlighting more work to be completed in 2025/26 and less in 2024/25. The programme commenced this year and demobilising in the winter months in line with anticipated Environmental Agency permit constraints, however design works and programme timetables works remained ongoing. The review of deliverables timetable does not highlight any concerns with completion of the programme.	
Recycling Household Waste Sites	**-811**
Slippage of £0.4m on General Improvements as Whetstone resurfacing project will commence in 25/26. Underspend of £0.2m anticipated on Lighting due to lower testing requirements, less material and staffing costs. Underspend of £0.2m is expected from Ashby canal reed bed project because key risks have not materialised.	
Safety Schemes	**-596**
Slippage due to realignment of delivery of programmes after commencing community speed management initiative survey which evaluated 514 sites and due to complete by the end of the 2024/25 financial year.	
Property Flood Risk Alleviation	**-535**
Latest profile of delivery of programme with external funding bodies and assumptions of the construction works for the projects at Breedon and Diseworth requires slippage into 2025/26	
Traffic Signal Renewal	**-498**
Procurement exercise has delayed the implementation of DfT grant funded programmes.	
Area Office Accommodation	**-498**
Due to ongoing work regarding the Melton Depot Site and design the programme has slipped.	
Highways Capital Schemes	**-497**
Underspend due to reprioritising design work in favour of safety critical highways maintenance, in addition scheme risks haven't materialised.	
A511/A50 Major Road Network	**-281**
Slippage due to delays in procurement in Early Contractor Involvement (ECI)	
Externally funded schemes	**-245**
Review of spend to construction has identified slippage across a number of externally funded sites.	
Hinckley Hub	**-239**
Underspend due to descoping of the programme.	
Ashby Canal Reed Bed	**-226**
Underspend forecast following procurement exercise and key risks have not materialised leading to reduction in contingency required.	
Local Electric Vehicle Infrastructure (LEVI)	**-179**
Slippage due to parts of programme delivery slipping into next year.	
M1 J23/A512 Improvements	**-101**
Due to less costly snagging works being required than anticipated there is an underspend on M1 Junction	
Other variances	**368**
TOTAL	**16,640**

Corporate Resources

Net slippage of £1.8m and an underspend of £0.5m is forecast compared with the updated budget. The main variances are:

	£000
Ways of Working	**-527**
Underspend of £0.4m on Office Infrastructure due to latest estimations of works remaining costing less than previously anticipated. Additionally slippage of £0.1m relates to works reprofiled to 25/26.	
ICT - End User Device Refresh	**-500**
Slippage from review of laptop replacement programme to increase longevity of End User Device fund beyond MTFS period.	
Climate change - Environmental Improvements	**-706**
Slippage of £0.4m as awaiting design of Fleet Transition plan. Slippage of £0.2m as awaiting outcome of match funding bids and underspend of £0.1m from completion of works at Glebe house.	
Property Services	**-433**
Various smaller schemes, including data centre UPS replacement, Bassett Street window replacement and County Hal lift replacement, revised completion dates delaying schemes to 2025/26.	
Other variances	**-172**
TOTAL	**-2,338**

Corporate Programme

Net slippage of £10.7m is forecast compared with the updated budget. The main variances are:

	£000
Airfield Business Park - Phase 3-4	**-4,508**
Slippage as project spend reprofiled due to delays with signing build contract.	
Lutterworth East - Planning and Pre-Highway construction Works	**-3,195**
Following a review of the programme over the Summer, the revised profile of works shows a rephasing of spend into 2025/26 and 2026/27.	
Lutterworth Leaders Farm - Drive Thru Restaurants	**-2,687**
Slippage - due to requirement to obtain highways approval for a pedestrian crossing on the A4303 dual carriageway.	
M69 Junction 2 - SDA	**-340**
Works have been rescheduled into 2025/26 due to ongoing delays in connection with Blaby DC Local Plan being approved.	
TOTAL	**-10,730**

Capital Programme - Changes in Funding

	£000
Children & Family Services	
Externally Funded Schemes - funding from S.106 developer contributions	26
Adults & Communities	
Disabled Facilities Grant - Additional grant announced during 2024/25	667
Reduction in reserve funding required	-7
Environment and Transport	
Externally Funded Schemes - funding from S.106 developer contributions	-46
New Grants	568
Capital financing reserve funding	116
Overall Total	**1,325**

Investing in Leicestershire Programme – 2024/25 Q3 Update

Asset Class	Opening Capital Value [1]	Capital Incurred (returned) 2024/25	Change in valuation	Q3 24/25 Capital valuation [2]	Budget Net Income FY	Forecast Net Income FY	Variance to Budgeted Net Income	In year forecast net income return % [3]	Since Inception IRR [4]
	£000	£000	£000	£000	£000	£000	£000	%	%
Direct Commercial Holdings									
Development	37,966	0	0	37,966	-106	-106	0	-0.3%	
Rural	84,410	0	0	84,410	258	198	-60	0.2%	
County Hall rents [5]	8,878	0	0	8,878	839	838	0	9.4%	
Office	53,443	0	0	53,443	3,031	3,031	0	5.7%	
Industrial	25,833	0	0	25,833	1,479	1,319	-160	5.1%	
Other	4,727	0	0	4,727	226	226	0	4.8%	
Direct Holdings	**215,257**	**0**	**0**	**215,257**	**5,726**	**5,506**	**-220**	**2.6%**	
Diversifier Holdings									
Pooled Property	20,728	-3,795	180	17,112	559	559	0	3.0%	2.0%
Private Debt MAC 4 2017	4,538	-2,583	377	2,332	81	104	23	3.0%	5.0%
Private Debt MAC 6 2021	20,559	-5,018	-1,650	13,892	480	619	140	3.6%	7.5%
Private Debt MAC 7 2023	5,661	1,190	474	7,324	253	327	74	n/a	too early
Pooled Infra Fund	8,706	0	42	8,748	282	357	75	4.1%	3.6%
Pooled Bank Risk Share	16,801	-2,003	-1,292	13,507	1,169	3,200	2,031	21.1%	14.4%
Diversifiers total	**76,993**	**-12,208**	**-1,870**	**62,914**	**2,823**	**5,166**	**2,343**	**7.4%**	
Additional sinking fund						**-2,123**	**-2,123**		
TOTAL (All IiLP)	**292,249**	**-12,208**	**-1,870**	**278,126**	**8,549**	**8,549**	**0**	**3.0%**	
TOTAL exc development and rural	**169,873**	**-12,208**	**-1,870**	**155,750**	**8,398**	**8,457**	**60**	**5.2%**	

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

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