Leicestershire County Council

CABINET – 10 FEBRUARY 2023

PROVISIONAL MEDIUM TERM FINANCIAL STRATEGY 2023/24 - 2026/27

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to present the County Council's proposed 2023/24 to 2026/27 Medium Term Financial Strategy (MTFS) for approval, following consideration of the draft MTFS by the Cabinet in December 2022 and the Overview and Scrutiny bodies in January and receipt of the Local Government Finance Settlement.

Recommendations

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

   (a) That subject to the items below, approval be given to the Medium Term Financial Strategy (MTFS) which incorporates the recommended revenue budget for 2023/24 totalling £512.1m as set out in Appendices A, B and E of this report and includes the growth and savings for that year as set out in Appendix C;

   (b) That approval be given to the projected provisional revenue budgets for 2024/25, 2025/26 and 2026/27, set out in Appendix B to the report, including the growth and savings for those years as set out in Appendix C, allowing the undertaking of preliminary work, including business case development, consultation and equality and human rights impact assessments, as may be necessary to achieve the savings specified for those years including savings under development, set out in Appendix D;

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

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

(e) That the amounts of the County Council's Council Tax for each band of dwelling and the precept payable by each billing authority for 2023/24 be as set out in Appendix M (including 2% for the adult social care precept);

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

(g) That approval be given to the 2023/24 to 2026/27 capital programme as set out in Appendix F;

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

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

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Operational boundary for external debt i) Borrowing ii) Other long term liabilities	 262 1	 262 1	 275 1	 309 1
TOTAL	**263**	**263**	**276**	**310**
Authorised limit for external debt i) Borrowing ii) Other long term liabilities	 272 1	 272 1	 285 1	 319 1
TOTAL	**273**	**273**	**286**	**320**

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

(k) That the following borrowing limits be approved for the period 2023/24 to 2026/27:

(i) Upper limit on fixed interest exposures 100%;
(ii) Upper limit on variable rate exposures 50%;
(iii) Maturity of borrowing:-

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

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

(l) That the Director of Corporate Resources be authorised to enter into such loans or undertake such arrangements as necessary to finance capital payments in 2023/24, subject to the prudential limits in Appendix N;

(m) That the Treasury Management Strategy Statement and the Annual Investment Strategy for 2023/24, as set out in Appendix N, be approved including:

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

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

(o) That it be noted that the Leicester and Leicestershire Business Rate Pool will continue for 2023/24;

(p) That the Director of Corporate Resources following consultation with the Lead Member for Resources be authorised to make any changes to the provisional MTFS which may be required as a result of changes arising between the Cabinet and County Council meetings, noting that any changes will be reported to the County Council on 22 February 2023;

(q) That the Leicestershire School Funding Formula is subject to capping and scaling continues to reflect the National Funding Formula for 2023/24;

(r) That the funding rates for early years providers, as set out in paragraph 114 of the report, be approved.

Reasons for Recommendations

3. To enable the County Council to meet its statutory requirements with respect to setting a balanced budget and Council Tax precept for 2023/24, to allow efficient financial administration during 2023/24 and to provide a basis for the planning of services over the next four years.

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

5. Continuing an unchanged Leicestershire School Funding Formula for 2023/24 will ensure that it fully reflects the National Funding Formula (NFF).

6. To enable rates to be set for early years providers for 2023/24.

Timetable for Decisions (including Scrutiny)

7. On 16 December 2022 the Cabinet agreed the proposed MTFS, including the 2023/24 revenue budget and 2023/24 to 2026/27 capital programme, for consultation. The Overview and Scrutiny Committees and the Scrutiny Commission then considered the proposals in January 2023 (the comments of these bodies are attached as Appendix Q).

8. The County Council meets on 22 February 2023 to consider the MTFS including the 2023/24 revenue budget and capital programme. This will enable the 2023/24 budget to be set before the statutory deadline of the end of February 2023.

Policy Framework and Previous Decisions

9. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council on 23 February 2022.

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

    - Clean, green future
    - Great communities
    - Improving opportunities
    - Strong economy, transport and infrastructure
    - Keeping people safe and well

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

12. The Cabinet at its meeting on 23 September 2022 noted the significant financial challenges faced by the Council and inter alia agreed the approach to updating the MTFS.

13. The Cabinet at its meeting on 25 November 2022 agreed the approach and principles to be applied to managing financial risks associated with capital infrastructure projects.

Legal Implications

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

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

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

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

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

19. The County Council as a major precepting authority is required to consult representatives of business rate payers and details of the budget consultation are set out below. There is no statutory requirement to undertake a public consultation on the MTFS but it is important to bear in mind that decisions which

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

flow from the MTFS in relation to a change of provision or service will require adequate and proper lawful consultation before any decision is made as well as an equalities assessment to comply with the Public Sector Equality duty as referred to above and that the preparatory work to be undertaken by Chief Officers as set out in the recommendations is key to ensuring lawful decision-making.

20. There is a requirement for the precept to be approved by the Council and notified to the billing authorities by no later than 1 March 2023.

Resource Implications

21. The MTFS is the key financial plan for the County Council. The County Council's financial position has been challenging now for a number of years due to over a decade of austerity combined with significant growth in spending pressures, particularly from social care and special education needs. This was exacerbated by the impact of the Covid-19 pandemic. The Council is now also faced with the significant challenges linked to the war in Ukraine in terms of global energy and food supply and the resultant impact on inflation levels which have risen to levels not seen for many decades.

22. The Autumn Statement announced in November 2022 provides more information to update the financial position reported to the Cabinet in September 2022. The Government issued a policy statement on 12 December 2022 which gave greater clarity on a number of issues ahead of the release of the Provisional 2023/24 Local Government Finance Settlement on 19 December 2022. The Government's spending review period only extends to 2024/25. There is little financial certainty beyond this point, except that the new Government will have a challenging time balancing the nation's finances.

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

24. The current MTFS was balanced for year 1 only, with a gap of £8m in year 2 rising to £40m in year 4. This revised MTFS balances in year 1 only, now with a gap of £13m in year 2 rising to £88m in year 4. The gaps in the third and fourth years of the MTFS are particularly concerning. To have a realistic chance of closing them the County Council will need to identify mitigations that allow 2024/25 to be balanced without the use of reserves.

25. Delivery of the MTFS requires savings of £150m to be made from 2023/24 to 2026/27, unless service demand reduces, or additional income is secured. This MTFS sets out in detail £37m of savings and proposed reviews that will identify further savings to reduce the £88m funding gap in 2026/27. A further £25m of savings will be required to contain High Needs expenditure within the Government grant going forwards (in recent years expenditure has exceeded grant to the extent that a cumulative deficit of £40m is forecast by the end of the current financial year). Strong financial control, plans and discipline will be essential in the delivery of the MTFS.

26. To ensure that the MTFS is a credible financial plan, unavoidable cost pressures have been included as growth. By 2026/27 this represents an investment of £70m, primarily to meet the forecast increase in demand for social care. The MTFS also includes a £109m provision for pay and price inflation. The majority of these pressures are unavoidable due to the nationally set National Living Wage and pay awards and increases to running costs driven by the cost of living crisis.

27. Balancing the budget is a continued challenge. With continual growth in service demand recent MTFS's have tended to show 2-years of balanced budgets followed by 2 years of growing deficits. This approach balances the need for sufficient time to identify initiatives that will close the gap without cutting back services excessively. The draft MTFS forecasts the minimum requirement of a balanced budget next year, but the following three years are all in deficit.

28. The £13m gap in 2024/25 is a concern but manageable whilst the full range of options remain open to the County Council. Reserves will need to be set aside to ensure that the County Council has sufficient time to formulate and deliver savings and supress service growth. A heightened focus on the County Council's finances continues to be required whilst this situation remains.

29. The draft four-year capital programme totals £509m. This includes investment for services, road and school infrastructure arising from housing growth in Leicestershire, the Investing in Leicestershire Programme, social care accommodation and energy efficiency initiatives. Capital funding available totals £386m with the balance of £123m being temporarily funded from the County Council's internal cash balances.

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

Circulation under the Local Issues Alert Procedure

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

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PART B

Changes to the draft Budget proposed in December 2022

32. The report on the draft MTFS taken to Cabinet on the 16 December provided a lot of detail on the Chancellor's statement, the national financial context, the local government financial settlement and expected service and funding reforms. That detail isn't repeated again in this report. Instead it focuses on what has changed since then. These changes are summarised in the table below:

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Shortfall at 16th December 2022	0.0	16.6	53.6	91.8
Funding changes				
Grants not inflated	1.0	1.0	1.0	1.0
New Homes Bonus Grant	-0.1	0.0	0.0	0.0
Social Care Grants	-1.1	-1.1	-1.1	-1.1
Services Grant	-0.9	-0.9	-0.9	-0.9
Market Sustainability & Improvement Fund	-4.0	-4.0	-4.0	-4.0
Council Tax Base	-2.3	0.5	0.5	0.5
Council Tax Collection Funds	-0.7	0.0	0.0	0.0
Other Changes				
Growth Contingency	1.0	1.0	1.0	1.0
Growth	0.1	0.1	0.1	0.1
Service Reduction Contingency	1.0	1.0	1.0	1.0
Revenue funding of Capital	5.0	-0.1	-0.2	-0.2
Budget Equalisation Earmarked Reserve – contribution changes	1.0	-1.1	-1.2	-1.1
Revised Shortfalls	**0.0**	**13.0**	**49.8**	**88.1**

33. The changes are as detailed below:

- Grants not inflated (+£1m). The Government had indicated ahead of the Provisional Settlement that Revenue Support Grant would be inflated and the draft MTFS assumed that grants such as Improved Better Care Fund, Social Care and Market Sustainability would be inflated in a similar manner. The Provisional Settlement does not in fact include inflation on those grants.

- New Homes Bonus (-£0.1m) updated estimate per the 2023/24 Local Government Finance Settlement, which includes -£1.3m compared with -£1.2m anticipated in the draft MTFS.

- Social Care Grants (-£1.1m) increased allocation in the Settlement. The County Council's allocation from additional funding is c£1.9m higher than anticipated. However, the overall allocation includes an adjustment based on the relative levels of funding that Councils can raise from council tax (via the Adult Social Care Precept), which reallocates grant from areas such as County Councils to areas with low council tax levels, particularly in London.

This adjustment has partly offset the improved allocation from additional funding.

- Services Grant (-£0.9m). The Settlement includes -£2.4m for this grant, compared with -£1.5m anticipated in the draft MTFS.

- ASC Market Sustainability and Improvement Fund (-£4.0m). This Fund (-£5.6m) replaces the previous Market Sustainability and Fair Cost of Care Fund (-£1.6m). The Settlement states that "The government expects this new grant funding will enable local authorities to make tangible improvements to adult social care and, in particular, to address discharge delays, social care waiting times, low fee rates, workforce pressures, and to promote technological innovation in the sector. This will be combined with the existing £162 million in Fair Cost of Care funding to reflect the shared goal of improving market sustainability." Also there will be "reporting requirements regarding performance and use of funding to support improvement against the objectives" which are awaited from the Government. The draft MTFS includes a separate expenditure budget of £4.6m in 2023/24 rising to £21.4m by 2026/27 for the potential costs of Fair Cost of Care and ASC Reform.

- Council tax bases for 2023/24 provided by the District Councils are 0.6% higher than previously anticipated, leading to a £2.3m increase in income. It is assumed that the tax base will effectively remain at that level for 2024/25, rather than increasing by 0.75% as it is anticipated that the tax base will be impacted by the effects of the current economic climate. Therefore income forecasts in 2024/25 and later years show a net reduction of £0.5m compared with the draft MTFS.

- Council tax collection fund estimates for 2022/23 have now been received from the billing authorities which show an increase of £0.7m compared with the previous estimate.

- The Growth Contingency has been increased by £1m, mainly to reflect potential pressures on Transport budgets relating to SEND, Mainstream schools and Social Care.

- Growth of £50,000 for the Corporate Resources Department is required due to pressures arising from additional External Audit requirements.

- The improvement in the overall funding position will allow the scale of Service Reductions to be reviewed. A contingency of £1m has been added to reflect this.

- The improved funding position in 2023/24 will also allow additional revenue funding of the capital programme, £5m has been allowed for, reducing the borrowing requirement to £123m in the draft MTFS. This will lead to reductions in the financing of capital budget of £0.1m in 2024/25 and £0.2m thereafter.

- The improved funding position in 2023/24 will also allow an additional contribution of £2m to be made to the Budget Equalisation earmarked reserve.

The latest projections on the High Needs Block annual deficits for 2023/24 to 2026/27 will allow the contributions to the Budget Equalisation reserve to be reduced by £1.0m - £1.2m each year. Therefore, the net change to the contribution in 2023/24 is £1.0m.

Spending Power

34. The Government uses a measure of core spending power in assessing an authority's financial position. The County Council's historic annual core spending power from the 2022/23 Settlement is shown below. The key thing to note is that over this period Revenue Support Grant (RSG) had disappeared completely by 2019/20 compared to a figure of £56m in 2015/16 (in 2013/14 RSG was £81m).

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

	15/16 £m	16/17 £m	17/18 £m	18/19 £m	19/20 £m	20/21 £m	21/22 £m	22/23 £m	23/24 £m
Settlement Funding Assessment: RSG	56.2	37.0	19.5	8.5	0.0	0.0	0.0	0.0	0.0
Settlement Funding: Business Rates	60.5	57.4	58.7	60.9	62.9	64.4	65.1	68.2	75.1
Council Tax	233.4	247.5	263.1	285.5	301.6	319.3	336.9	351.6	374.1
Improved BCF*	0.0	0.0	9.5	12.4	14.8	17.2	17.2	17.7	17.7
New Homes Bonus	3.3	4.3	4.1	3.7	3.7	3.7	2.6	2.1	1.2
Transition Grant	0.0	3.3	3.3	0.0	0.0	0.0	0.0	0.0	0.0
Adult Social Care Support Grant	0.0	0.0	2.4	1.5	0.0	0.0	0.0	0.0	0.0
Winter Pressures Grant**	0.0	0.0	0.0	2.4	2.4	0.0	0.0	0.0	0.0
Social Care Grant	0.0	0.0	0.0	0.0	4.1	13.0	14.2	19.9	33.2
Market Sustainability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6	5.7
ASC Discharge Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5
Services Grant	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.3	2.4
Grants rolled in #	1.0	1.3	1.2	1.2	1.2	1.2	1.2	1.2	0.0
Core Spending Power	354.4	350.8	361.8	376.1	390.7	418.8	437.2	466.6	511.9

* includes one-off Social Care Grant announced in the Budget 2017, and Winter Pressures Grant of £2.4m added from 2020/21.
** Grant shown as part of iBCF from 2020/21.
\# Independent Living Fund grant – will form part of Social Care Grant from 2023/24.

36. The table shows that 'core spending power' increased in cash terms by £157.5m (44%) from 2015/16 to 2023/24. However, most of that increase relates to Council Tax which has increased by £140.7m (a 60% increase), while Business Rates show a 24% increase and Government grant only 4%. With inflation historically running at circa 3% each year, and rising above 10% this year, the overall 44% increase represents a relatively small real terms increase but provides little allowance for increasing populations and the significant increasing service demands local authorities are facing especially around social care services. This is particularly difficult for Leicestershire which continues to be an area of one of the fastest growing populations nationally.

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

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

39. There are still significant risks due to the uncertainty of future funding levels.

Business Rates

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

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

42. The proposed MTFS includes an assumption that the total of the baseline, top up and Section 31 grant elements will be increased by 10.1% in 2023/24, in line with the CPI in September 2022, and that the increase will be mainly received in the form of additional Section 31 grant from the Government, as the Chancellor of the Exchequer has frozen the "poundage" charged to business for 2023/24 at 2022/23 levels.

43. The Government had indicated its intention for a full reset of baselines in 2020/21 but this was postponed until 2021/22 and, due to the pandemic was deferred again until 2022/23. The Local Government Finance Settlement in December 2022 has confirmed that the reset will be deferred again until at least 2025/26. The reset will result in councils losing their share of accumulated growth. For the County Council this amounts to an estimated £7m per annum, and the income to the Leicester and Leicestershire Enterprise Partnership (LLEP) from the Leicester and Leicestershire Business Rates Pool would reduce by circa £14m.

44. The Government introduced the Business Rates Retention System from April 2013 and as part of these changes Local Authorities were able to enter into Pools for levy and safety net purposes. Net surpluses are retained locally rather than being returned to the Government as would have been the case if no Pool had existed. The current pooling agreement between the partners allows the surplus to be provided to the LLEP for investment in the wider sub-regional area.

45. The 'Leicester and Leicestershire Pool' for business rates increases the amount of growth that can be retained locally rather than being returned to the Government. In total £55m is forecast to have been retained in Leicestershire

since 2013/14, due to the success of the Pool, with a further potential surplus of £14.5m forecast in 2022/23.

46. Due to the strong position in 2022/23 the Pool will continue for 2023/24.

Council Tax

47. The Localism Act 2011 provides for referendums on any proposed increase in Council Tax which is defined as excessive (using definitions prescribed by central government) which effectively gives a power of veto. A cap on the core increase of 3% is in place for County Councils for 2023/24. In addition, they are permitted to raise an additional 2% to fund adult social care (the adult social care precept).

48. The most financially significant decision of any budget is usually the level that Council Tax will be increased by. This is not just a consideration for the current year, it affects the level of income available ad infinitum. Every 1% Council Tax is increased by is worth £3.5m to the County Council and costs each household in a band D property an additional £1.21 per month. The 2023/24 draft budget assumes a 4.99% increase, which contributes significantly towards a balanced budget. If this increase was not taken more service cuts would be the inevitable consequence.

49. The draft MTFS is based on a council tax increase of 4.99% in 2023/24 and 1.99% in each subsequent year. Subject to Government announcements there is likely to be scope to raise additional amounts for both the core council tax and for the Adult Social Care precept in the subsequent years, but that would need to be assessed by the Council in light of the revised position this time next year.

50. Council tax base growth in 2023/24 is lower than anticipated in the current MTFS and the draft MTFS now assumes that there is no growth in 2024/25 due to the impact of the recession, that is widely expected to have started. Growth of 1.5% is assumed in 2025/26 and 2026/27 and will be subject to review when the MTFS is rolled forward in the autumn.

Budget Consultation

51. The County Council had undertaken its annual consultation on the draft budget. The consultation period ran from 16 December 2022 until 15 January 2023 and asked for view on the planned savings and growth included in the draft budgets as well as on the level council tax should be increased by. A detailed report on the consultation outcome is attached as Appendix O.

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

53. With respect to Council Tax, the majority of responses supported a council tax increase of 3% or higher for the core element and also for an increase in the adult social care precept element of 2% or higher.

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

55. This consultation exercise was taken alongside a number of budget engagement webinars with representatives from local stakeholders. Also a detailed focus group session was undertaken during the autumn to obtain detailed feedback and insight from a representative group of County residents. These sessions enabled a range of views and suggestions to be received and used in shaping the Council's decisions about prioritisation of services.

2023/24 - 2026/27 Budget

56. The provisional 2023/24 budget excluding DSG is detailed in Appendix A. The provisional detailed four-year MTFS, excluding Dedicated Schools Grant (DSG), is set out in Appendix B and is summarised in the table below.

Provisional Budget	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**
Services including inflation	480.3	510.5	541.1	584.8
Add growth	17.7	17.5	17.5	17.5
Less savings	-12.3	-11.0	-7.1	-6.6
	485.7	517.0	551.5	595.7
Central Items	14.7	14.7	19.8	23.9
Add growth	0.2	0.0	0.0	0.0
Less savings	0.0	-0.1	0.0	0.0
	500.6	531.6	571.3	619.6
Contributions to/from:				
Budget equalisation earmarked reserve	10.4	5.8	6.1	7.0
General Fund	1.0	1.0	1.0	1.0
Total Spending	**512.0**	**538.4**	**578.4**	**627.6**
Funding				
Business Rates	-80.6	-83.6	-74.1	-71.1
Council Tax	-375.9	-381.7	-395.1	-409.0
Central Grants	-55.5	-60.1	-59.4	-59.4
Total Funding	**-512.0**	**-525.4**	**-528.6**	**-539.5**
Shortfall	**0.0**	**13.0**	**49.8**	**88.1**

57. The MTFS shows a balanced position for 2023/24 and shortfalls of £13.0m in 2024/25 rising to £88.1m in 2026/27. As set out in the following section there is a range of initiatives currently being developed that will aim to bridge the gap.

Savings and Transformation

58. Overall, the balance between expenditure and income forecasts a gap of £88.1m by the end of the MTFS period. Whilst the Council is optimistic that some additional funding may be made available to reduce this gap, it is clear that

significant additional savings will still be required on top of the £37.2m that have been identified, £12.3m of which are to be made in 2023/24.

59. This is a challenging task especially given that savings of £250m have already been delivered over the last thirteen years. This was initially driven by the real terms reduction in Government grants, which is in excess of £100m since 2010. In recent years, service demand pressures have become the main driver.

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

- Children and Family Services (£12.6m). This includes savings of £9.2m from the "Defining CFS For the Future Programme" phases 1 and 2. This programme of work aims to improve outcomes for children, young people and their families whilst delivering significant financial savings.
- Adults and Communities (£13.7m). This includes £3.9m from implementation of digital assistive technology to service users, £1.5m from commissioning efficiencies on Direct Payments and £1.4m from reviews of Home Care.
- Public Health (£1.3m) from the review and redesign of several service areas.
- Environment and Transport (£3.8m). Savings include £1m from improved options for the treatment of residual waste, £0.5m on street lighting, £0.5m from a review of Park and Ride, and £0.4m from the SEN Transport Lean Review.
- Chief Executive's Department (£1.0m). This includes savings of £0.6m from reviewing the Shire Grants programme and £0.2m from a review of case management and new ways of working.
- Corporate Resources (£5.7m). This includes savings of £1.4m from the Workplace Strategy / Ways of Working, £1.3m from increasing returns from the Investing in Leicestershire Programme and £1.1m from ICT efficiencies.

61. Of the £37m identified savings, efficiency savings account for £34m, and can be grouped into three main types:

a) Service re-design and delivery (£25m)
b) Better commissioning and procurement (£8m)
c) Senior management and administration (£1m)

62. Further savings or additional funding will be required to close the budget shortfall of £13.0m in 2024/25 rising to £88.1m in 2026/27.

63. It is estimated that the overall savings requirement would lead to a reduction of around 250 posts (full time equivalents) over the four-year period. However, it is expected that the number of compulsory redundancies will be much lower, given the scope to manage the position over the period through staff turnover and vacancy control.

64. To help bridge the gap several initiatives are being investigated to generate further savings. Outlines of the proposals have been included as Appendix D, Savings under Development. Once business cases have been completed and

appropriate consultation and assessment processes undertaken, savings will be confirmed and included in a future MTFS. This is not a definitive list of all potential savings over the next four-years, just the current ideas.

65. The development and ultimate achievement of these savings was already challenging, following more than a decade of austerity. The pandemic increased the difficulty of delivery even further by: increasing the urgency of delivery; creating new pressures to be resolved; and reducing people’s capacity to work on savings. The current economic situation is leading to an even greater challenge due to the impact of inflation on the Council’s finances.

66. The MTFS also includes the High Needs Block Development Plan which is reducing costs through increase local provision of places, practice improvements and demand reduction initiatives. The aim of the programme is to ensure that the expenditure can be contained within the allocation through the Dedicated Schools Grant. Savings of £24.6m are planned over the MTFS period.

<u>Transforming the way we work – Strategic Change</u>

67. The savings requirements contained within the MTFS remain the central driver for the Council’s Strategic Change Portfolio (SCP). The body of work contained within the portfolio, refreshed annually, represents savings of circa. £70m, including £25m for the Councils Transforming SEND and Inclusion in Leicestershire (TSIL) programme. This will be aligned to the MTFS refresh to 2026/27 and reflects the priorities of the Council’s new Strategic Plan.

68. Alongside the need for financial sustainability, the latest refresh of the portfolio continues three existing change themes, each representing key strategic priorities for change. The Council’s commitment to reducing the environmental impact of its operations is represented in the Carbon Reduction programme with a clear target to achieve a net zero position by 2030. Improving customer contact through the use of automation and digital technology is a central premise of the Customer and Digital programme. Finally, the Council’s Ways of Working programme is bringing together Technology, People and Workplace change to redefine how it operates and best utilises its resources.

69. Throughout the new MTFS period a focus on the identification of further internal efficiencies and productivity improvements will continue across the County Council. Through evidence-based continuous improvement, this work will help to identify and capture new savings opportunities to be delivered and mitigate where possible the need for future growth in spending or reductions in service delivery.

70. Given the requirement to identify and deliver further savings across the Council, effective service leadership well supported by corporate functions will be important. A common approach to effective change management will be utilised helping to increase local capabilities and to help ensure the prioritisation of the right change activity, along with mechanisms to assure that such change is well managed.

Growth

71. Over the period of the MTFS, growth of £70.4m is required to meet demand and service pressures with £17.9m required in 2023/24. The main elements of growth are:

- Children and Family Services (£28.6m). This is mainly due to £22.7m for pressures on the Social Care placements budget arising from increased numbers of Looked After Children and £5.4m for increased Social Care caseloads and workforce pressures.
- Adult Social Care (£21.8m). This is largely the result of an ageing population with increasing care needs and increasing numbers of people with learning disabilities.
- Environment and Transport (£7.1m). This mainly relates to increased service user numbers and costs for Special Educational Needs (SEN) transport.
- Corporate Growth (£12.7m). This has been included to act as a contingency for potential further cost pressures particularly in the later years of the MTFS. The amount has been set based upon historic levels of growth incurred. The contingency reflects that it is not possible to specifically identify all of the growth before the first year of a 4-year MTFS. A provision of £1m has also been made in 2023/24 regarding potential pressures on Transport costs relating to SEND, Mainstream schools and Social Care.

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

Inflation

73. The Government's preferred measure of inflation is the CPI. In December 2022 this was 10.5%. The Office for Budget Responsibility (OBR) expects inflation to fall over 2023 to 3.8% at the end of that year and to fall below the 2% target by the end of 2024. Inflation may then turn negative as energy and food prices are expected to fall.

74. However, the Council's cost base does not always reflect CPI. Energy and fuel increases, for example, have a much more significant impact (and of course there is no benefit to local authorities from the energy price cap). It is also anticipated that a significant element of the inflation being seen in 2022 will not impact on the Council's costs until 2023 due to factors such as contract renewal lagging behind headline inflation rates and forward purchasing of energy. The draft MTFS therefore assumes 10% inflation in 2023/24, 6% in 2024/25 and 3% per annum in 2025/26 and 2026/27.

75. The impact of the National Living Wage (NLW) is particularly significant. The NLW will rise from £9.50 to £10.42 in April 2023, an increase of 9.7%. It is expected to increase further to between £10.82 and £11.35 by 2024/25. In recent years social care costs have been driven up by its continued increases, for which an additional provision has been made. The NLW also has a significant impact on the Council's pay costs.

76. The main local government pay awards in 2022 have been based on all full-time staff receiving an increase of £1,925, equating to a 10.5% increase on the first pay point, and averaging around 6.4% across the whole pay scale. The MTFS provides for an estimated average pay award increase of 5.5% in 2023/24, with higher percentage increases in lower grades, as in the 2022 pay award, followed by average increases of 3.5% in later years.

77. The central inflation contingency includes provision for an increase of 1.1% in the employer's pension contribution rate in 2023/24, in line with the requirements of the latest Leicestershire Local Government Pension Scheme (LGPS) triennial actuarial assessment. That assessment indicates that there is not a requirement to increase the contribution rate in subsequent years.

78. The Leicestershire LGPS overall funding level has improved to 105% of estimated liabilities as at 1 April 2022, mainly due to strong investment returns during the last 3 years. The improved funding position has had a positive outcome on contribution rates and has avoided increases than may have been expected given the worsening economic outlook. This outlook includes recessionary fears, increasing inflation, the Ukraine conflict (and other geo-political tensions) and climate risk, which all create uncertainty for long-term investment returns. If investment returns are lower than expected for the next 3 years, this position could be reversed, and contribution rates will need to increase again at the next triennial review.

79. Detailed service budgets for 2023/24 are compiled on the basis of no pay or price increases. A central contingency for inflation is be held, which will be allocated to services as necessary.

Central Items

80. Interest income relating to Treasury Management investments is budgeted at £13.6m in 2023/24 and is estimated to reduce to £1.4m by 2026/27 as balances are reduced to fund internal borrowing for the capital programme and interest rates are expected to fall.

81. Capital financing costs are budgeted at £19.5m in 2023/24, £19.4m in 2024/25 and are then expected to rise to £19.8m in 2025/26 and £21.3m in 2026/27, as a result of the increasing financing requirement for the capital programme.

82. The budget includes revenue funding of capital expenditure, to reduce the overall need for borrowing to fund the capital programme, of £6.5m in 2023/24 and £1.5m in later years.

83. Central grant income in 2022/23 totalled £42.0m and included one-off Services Grant of £4.3m and £2.1m for New Homes Bonus Grant that was also assumed to be removed in 2023/24. The total of £55.5m in 2023/24 reflects an additional £16.2m for Social Care in the provisional Settlement and reductions of £1.9m to the Services Grant and £0.8m to the New Homes Bonus Grant.

Health and Social Care Integration

Better Care Fund (BCF)

84. The importance of the Better Care Fund was detailed in the December Cabinet report. The value of BCF funding for Leicestershire which was announced in July 2022 for 2022/23 is shown in the table below:

	2022/23 £m	
NHS Minimum Allocation	46.1	Level mandated by NHS England
IBCF	17.7	Allocated to local authorities, specifically to meet social care need and assist with alleviating pressures on the NHS, with emphasis on improving hospital discharge, and stabilising the social care provider market.
Disabled Facilities Grant	4.4	Passed to district councils
Total BCF Plan	68.2	

85. £20.5m of the NHS minimum allocation into the BCF is used to sustain adult social care services. The national conditions of the BCF require a certain level of expenditure to be allocated for this purpose. This funding has been crucial in ensuring the Council can maintain a balanced budget, while ensuring that some of its most vulnerable users are protected; unnecessary hospital admissions are avoided; and the good performance on delayed transfers of care from hospital is maintained.

86. In addition to the required level of funding for sustaining social care service provision, a further £7m of Leicestershire's BCF funding has been allocated for social care commissioned services in 2022/23. These services are aimed at improving carers' health and wellbeing, safeguarding, mental health discharge, dementia support and crisis response.

87. The balance of the NHS Minimum Allocation £18.6m is allocated for NHS commissioned out-of-hospital services.

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

Other Grants and Funds

89. There are a number of other specific grants included in the MTFS, some of which are still to be announced for 2023/24, for example:

- Public Health – the 2023/24 allocation is assumed to be £26.2m, the same as in 2022/23, but there is a risk that it will be reduced.
- Pupil Premium – estimated £5.4m similar to 2022/23.

- Universal Infant Free School Meals – estimated £2.4m similar to 2022/23.
- Section 31 Business Rates (Government funding for caps on business rates growth and other Government measures) – an estimate of £12.1m has been included for 2023/24.
- Music Education Hubs Grants - £1.4m assumed, as in 2022/23.
- Troubled Families Grant – £1.7m indicative for 2023/24.
- Schools Block Dedicated Schools Grant - £493.6m.
- Central Schools Services Dedicated Schools Grant -£3.8m.
- High Needs Dedicated Schools Grant –£104.8m.
- Early Years Dedicated Schools Grant – estimate £39.3m based on the new funding levels.
- New Homes Bonus – £1.3m for 2023/24, ceasing in 2024/25.

Dedicated Schools Grant Settlement 2023/24

90. For 2023/24 the Dedicated Schools Grant (DSG) remains calculated in separate blocks as set out below;

DSG Funding Block	**£m**
Schools Block – National Funding Formula	490.9
Schools Block – School Revenue Growth	2.7
Central School Services	3.8
High Needs (Provisional)	104.8
Early Years (Provisional)	39.3
Total	**641.5**

91. The 2023/24 MTFS continues to set the overall Schools Budget as a net nil budget at local authority level. However, in 2022/23 there is a funding gap of £13.3m on the High Needs Block which will be carried forward as an overspend against the grant.

Schools Block

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

93. 2023/24 is the first year of transition to the Direct Schools National Funding Formula, the DfE’s stated intention is to fully move to the direct NFF but has not confirmed when that will be. Local authorities are further restricted on the content of their local funding formula for schools and will only be able to use the NFF factors and are required move to within 10% of NFF values. This has no implications for Leicestershire where the current formula fully reflects the NFF.

94. In processing the 2022 census data an affordability gap was identified of £0.9m. This is almost solely related to increased numbers of pupils eligible for free school meals, simply the DfE have not provided Leicestershire with sufficient funding to deliver the NFF. Whilst this is the first instance of an affordability gap in Leicestershire many authorities regionally and nationally have had, and continue to be, in this position.

95. Modelling identified that to limit Leicestershire school NFF allocations to the funding received, by the application of only a cap on gains, would require that cap to be set at 3% and affect 67 schools. Spreading the impact wider across more schools minimises the funding reductions at affected schools but impacts on more schools overall. Modelling identified that the optimum solution was a cap of 2.2% with a scaling factor of 50%. This affects 114 schools with the maximum reduction in gain being £43,000, 0.6% of budget. The average for the 114 affected schools is £7,400 (0.2%).

School Funding Formula

96. The NFF delivers a minimum amount of funding per pupil, £4,405 for primary and £5,503 for Key Stage 3 and £6,033 per Key Stage 4 pupil. For 2023/24 the DfE have focused additional funding on the deprivation factors within the NFF. The DfE view this movement as supporting those schools with larger proportions of pupils from ethnic minority backgrounds and with SEN. The Leicestershire formula, adjusted by capping and scaling, fully meets all DfE funding guarantees.

97. Schools remaining on the funding floor are vulnerable to changes in future levels of DfE protection. To respond to the economic crisis the DfE announced a new Mainstream Schools Additional Grant (MSAG) for 2023/24 which totals £17m and increases the overall level of school funding to 5% per pupil. As the funding guarantee is at pupil level, schools with decreases in pupil numbers will see an overall decrease in budget allocation.

98. The Council submitted its funding formula to the ESFA in mid-January 2023.

High Needs

99. High needs funding has been increased nationally - authorities will receive a minimum increase of 5% per head of the 2-18 population and a maximum of 7% per head. Leicestershire remains at the funding floor with a 5% increase. It should be noted that the population factor only generates 34% of the High Needs DSG allocation with other funding more specifically allocated based on levels of attainment, deprivation and health/disability.

100. The provisional allocation is £104.9m, in addition to this an additional grant allocation of £4.147m will be received to reflect increased costs arising from the current economic situation. Leicestershire continues to receive floor funding which for 2023/24 is 2.9% of the funding allocation. Whilst this funding is reducing annually it should be noted that this allocation is the amount at Leicestershire receives above the funding generated by the High Needs National Funding Formula. The DfE has given local authorities their working assumption

of annual increases of 3% and whilst grant allocations for 2024/25 onwards are uncertain this assumption has been factored into the MTFS.

101. Conditions have been placed on the additional high needs grant and local authorities are required to increase funding rates for maintained special schools and academies and for Alternative provision by 3.4% at an estimated cost of £2.5m which is reflected in the revised financial forecast.

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

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
High Needs Dedicated Schools Grant	-105,082	-108,225	-111,462	-114,797
Placement Costs	112,643	121,137	131,606	143,376
Other HNB Cost	10,029	10,029	10,029	10,029
Commissioning Cost - New Places	417	90	90	0
Invest to Save Project Costs – TSIL	939	0	0	0
Total Expenditure	**124,028**	**131,256**	**141,725**	**153,405**
Funding Gap Pre Savings	**18,946**	**23,031**	**30,263**	**38,608**
TSIL Programme Defined Opportunities	-3,112	-8,596	-14,863	-21,522
Benefit of Local Provision and Practice Improvements	-2,515	-2,803	-3,115	-3,115
Total Savings	**-5,627**	**-11,399**	**-17,978**	**-24,637**
Annual Revenue Funding Gap	**13,319**	**11,632**	**12,285**	**13,971**
2019/20 Deficit Brought Forward	**7,062**			
2020/21 High Needs Deficit Brought Forward	**10,423**			
2021/22 High Needs Deficit Brought Forward	**11,365**			
2022/23 High Needs Deficit Brought Forward P6 Estimate	**10,876**			
Cumulative High Needs Funding Gap	**53,045**	**64,677**	**76,962**	**90,934**
Surplus (-ve) / Deficit Other DSG Blocks	-7,347	-8,347	-9,347	-10,347
Dedicated Schools Grant Surplus (-ve) / Deficit	**45,698**	**56,330**	**67,615**	**80,587**
Surplus / Deficit as % of Total DSG	**7%**	**9%**	**10%**	**12%**

103. Clearly the financial position set out above is unsustainable and further actions need to be taken to address the position. Whilst some of the increased deficit

relates to increasing cost, the significant element in the worsening position is the continued rate of growth in pupils.

104. The Transforming Send and Inclusion in Leicestershire (TSIL) programme is focusing on changes to the whole SEND system to ensure that children with special educational needs and disabilities have their needs met at the right time, in the right place and with the right support.

105. Based on the current trajectory of growth the TSIL programme is expected to deliver £32.1m in financial benefits to 2028/29 with £21.5m delivered over the period of the MTFS. The timescales for the delivery of the benefits reflect the complexity of the system change needed to achieve them.

<table>
<tr><th></th><th>2028/29
Benefit

£000</th><th>2023/24 –
2026/27
MTFS
£000</th></tr>
<tr><td>The right level of Children and Young People in mainstream provision</td><td rowspan="2">7,371</td><td rowspan="2">5,668</td></tr>
<tr><td>The right level of provision for Children and Young People in mainstream provision</td></tr>
<tr><td>The right level of CYP in specialist settings</td><td rowspan="2">22,759</td><td rowspan="2">13,989</td></tr>
<tr><td>The right ratio of Children and Young people supported in LCC and independent specialist provision</td></tr>
<tr><td>The right cost of independent provision</td><td>399</td><td>315</td></tr>
<tr><td>The right cost of provision following EHCP reviews and Health contributions</td><td>1,560</td><td>1,530</td></tr>
<tr><td>Total</td><td>32,059</td><td>21,502</td></tr>
</table>

106. The programme mobilised in July and will receive intensive support from Newton Europe until July 2023, at that point the full time support will reduce to a programme of enhanced health check and support with transformation being delivered within LCC which will consist of staff from within Children and Family services delivering and maintaining change with the support of the Transformation Unit and other corporate services such as Finance and Business Intelligence.

107. Local authorities are required to carry forward DSG as an unusable reserve and may only now contribute to DSG with the approval of the Secretary of State. Whilst this is the approach the DfE have encapsulated in legislation up until March 2023 and has now been confirmed for the next three years, it is not a sustainable or reasonable approach.

108. Without the DfE addressing this through additional funding, local authorities will be required to set aside resources to offset the deficit. At the levels of expected growth, the position is completely unsustainable and puts the Council's finances in a very difficult position. As such it is essential that the planned measures to

contain ongoing growth, outlined above, are successful and both demand and costs are reduced.

Central Services Block

109. The central services block funds a number of school-related expenditure items such as existing school-based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic costs. The 2023/24 settlement is £3.8m for 2023/24.

110. The provisional settlement continues an annual reduction of 20% for the Historic Costs element of the settlement but a guarantee remains in place to ensure that funding does not decrease below the financial commitment to meet former teacher employment costs. The recent funding consultation asked for views on transferring this funding from DSG into the Local Government Funding, the DfE have yet to provide their response to the consultation.

Early Years Block

111. The 2021 Spending Review set out an additional £180m nationally in respect of early years provisions but final information has not yet been released on this block for 2023/24. The provisional 2023/24 settlement is £39.3m, the final settlement will not be known until June 2024.

112. The Early Years National Funding Formula sets hourly rates of £5.63 for 2 year old funding and £4.87 for 3 and 4 year olds. Despite funding increases Leicester remains at the funding floor compared to other Local Authorities. Options are currently being produced regarding the level of increase for nursery providers and retention of contingency in line with guidance.

113. Leicestershire had a deficit of £4m on the Early Years Block DSG in 2021/22. The deficit will be recovered over a four year period. A contingency will be retained and created by setting an increase in the 3 & 4 year old provider base rates below the increase in DSG. Recovery over a four year period will assist in securing provider sustainability.

114. Early year provider funding rates, including the additional formula factors, are set out below. The base rate has increased by £0.13 per hour for 3 and 4 year olds and by £0.06 per hour for 2 year olds as a result of the national increase of funding:

	2022/23 £ per Hour	**2023/24 £ per Hour**
3 & 4 Year Olds		
Base Rate	4.31	4.44
Deprivation top-up	0.04 – 0.08	0.04 – 0.08
Special Needs top-up	6.99	6.99
2 Year Olds		
Base Rate	5.27	5.33
Special Needs top-up	6.99	6.99

LGPS Pension Fund Net Zero Climate Strategy Consultation

115. The Fund is inviting scheme members, employers and other stakeholders with a chance to review and provide their thoughts on the draft Strategy. It aims to manage the risk of climate change to the Fund and ensure pensions can be sustainably paid to more than 100,000 beneficiaries in the coming decades. The strategy focuses on four main pillars, including:

- Climate change risk and opportunities
- Targets and measures
- Decision making
- Stewardship, engagement, and divestment

116. The consultation closes on 5 February 2023. The Director of Corporate Resources will submit a response to the Strategy on behalf of the County Council.

Adequacy of Earmarked Reserves and Robustness of Estimates

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

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

- High inflation persisting for longer than expected.
- Non-achievement of savings and income targets. The requirement for savings and additional income totals £150m over the next four years of which £88m is unidentified. Successful delivery of savings is not wholly in the control of the County Council.
- Unforeseen service pressures resulting in an overspend, particularly demand-led children's and adult social care.
- SEN spend in excess of grant. A cumulative deficit of £91m is anticipated by the end of 2026/27. Expenditure each year is expected to be between £12m and £14m more than high needs block funding, despite £25m of savings being targeted.
- The National Living Wage is estimated for 3 of the 4 years of the MTFS and pay awards are unknown for any year.
- The strength of the economy dictates the funding of the public sector, both directly through council tax and business rate income and indirectly through the influence on Government funding decisions.
- The increasing reliance on income generated from services in other parts of the public sector (such as schools and NHS). Given the tight financial environment it will be challenging to maintain or keep increasing income.
- A number of significant government initiatives already delayed with further delays expected including reform related to fair funding, SEND and Social Care.

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

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

General Fund

120. The General Fund balance is available for unforeseen risks that require short term funding. The forecast balance at the end of 2022/23 is £19m which represents 3.7% of the net budget (excluding schools' delegated budgets). It is planned to increase the General Fund to £23m by the end of 2026/27 to reflect increasing uncertainty and risks over the medium term, and to avoid a reduction in the percentage of the net budget covered. Examples of risks include:

- Legal challenges that result in a change in savings approach.
- Legislative changes that come with a financial penalty, for example General Data Protection Regulations (GDPR).
- Service provision issues that require investment, for example the capital investment to support the High Needs Block Development Plan.

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

122. The proposed MTFS also includes a contingency of £10m in the first two years, reducing to £8m from 2025/26 for other specific key risks that could affect the financial position on an ongoing basis. Examples include:

- The non-achievement of savings.
- Pressure on demand-led budgets particularly in social care.
- Risks around commercial services.

123. The increase in the first two years relates to significant resource requests to deal with operational pressures and service changes. If the contingency is not required resources will be directed to priority areas, e.g. reducing the shortfall in capital funding discussed later in this report.

Earmarked Reserves

124. The estimated balance for revenue earmarked reserves (excluding schools and partnerships) as at 31 March 2023 is £54.3m and for capital funding purposes £87.5m. This is set out in detail in Appendix K to this report. The final level of earmarked reserves will be subject to the current year budget outturn.

125. Earmarked reserves and balances are held for specific purposes in line with the Council's Earmarked Reserves Policy attached as Appendix J. The main earmarked reserves and balances projected at 31st March 2023 are:

(a) Capital Financing (£87.5m). Holds MTFS revenue contributions for capital expenditure or one-off projects.
(b) Insurance (£11.6m). Held to meet the cost of future claims not covered by insurance policies.
(c) Budget Equalisation (£40.5m). Used to manage variations in funding across financial years. This includes the cash requirements of the High Needs element of the Dedicated Support Grant (DSG). The reserve includes £13.0m earmarked to offset the forecast 2024/25 net MTFS deficit and a further £7.1m to contribute to the forecast 2025/26 deficit.

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

127. The CIPFA financial resilience index for local authorities provides a useful set of indicators of the financial risks facing local authorities. The latest index is for balances as at 31 March 2022 and broadly shows positive results. One indicator is rated as high risk, with five rated as medium risk. Although the 2021/22 position shows that overall risks are increasing, particularly in relation to the level of reserves, the County Council is still reporting a better position than most County Councils.

128. Grant Thornton UK LLP, the Council's external auditor, have also reviewed the level of earmarked reserves held by the Council in respect of financial sustainability as part of its value for money review of 2021/22. They reported that they are satisfied that the Council had appropriate arrangements in place to manage the financial risks it faced with regard to medium term financial planning during 2021/22.

School Balances

129. Balances are also held by schools. They are held for two main reasons: firstly, as a contingency against financial risks and secondly, to save to meet planned commitments in future years. The balance at 31st March 2022 was £11.3m. The balance at 31st March 2023 has not been estimated but is expected to have reduced as a result of spending pressure. It is also affected by the number of schools converting to Academies.

Risk Management

130. The Council's risk management policy statement and strategy, and insurance policy are reviewed annually and are included as Appendix I and L. The policies were considered and noted by the Corporate Governance Committee on 27th January 2023.

Summary

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

estimates are considered to be robust and the earmarked reserves are adequate.

132. The overall financial position remains challenging. However, the first two years of the MTFS, with a real organisational focus, are deliverable. The focus needs to be on both delivering savings and managing demand.

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

Concluding Comments – Revenue Position

134. The draft MTFS is balanced in 2023/24 with a financial gap of £13.0m in 2024/25 rising to £88.1m by 2026/27.

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

136. Funding uncertainties are predominately driven by Government and external factors. It is expected that some funding streams will reduce, for example the planned reset of the Business Rate Baseline will remove the benefit of growth. In addition, the position on some specific grants after 2022/23 is uncertain. In line with previous practice the MTFS assumes a reduction in business rates and some grants, albeit at a far lower level than during the austerity years.

137. Cost growth manifests itself as either inflationary pressures or service growth. Service growth primarily relates to a growing and ageing population and a large increase in school-age children requiring support, which put huge demands on social care and SEND service.

138. Successful delivery of savings is dependent upon a range of factors, not all of which are in the control of the County Council. All savings included in the MTFS have had an initial deliverability assessment so that a realistic financial plan can be presented. With 2024/25 not forecast to be balanced there is less time to generate new savings and a lower margin of error on delivery. Identifying new savings will be a key activity a task made harder by the reduced options available.

139. In additional to these direct uncertainties the County Council is not insulated from financial difficulties of partner organisations. Currently the County Council's ongoing financial plans include £46m of funding related to the BCF. Even a partial loss of this funding would be difficult to manage.

140. Maintained schools and academies are under significant financial pressure; this could affect the County Council through its statutory responsibilities relating to education, for example to ensure the provision of sufficient school places. This

pressure also increases the risk of lost commercial income, as schools and academies are the Authority's main commercial trading partner.

141. It is key to note that the delivery of the refreshed MTFS will be even more challenging than usual. Some local authorities, which are better funded than Leicestershire, were already in financial difficulties before the cost of living crisis began, and in recent months many, like Leicestershire, have been publicly stating that their budgets are under unprecedented pressures. The focus on Leicestershire's finances over the past few years, including taking tough decisions on service reductions, has put the Council in a relatively sound position. It is essential that the focus on medium term financial planning and strong financial discipline is maintained.

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

- Dealing with the steep increase in cost pressures.
- The absolute need to deliver the savings in the MTFS. The key risks are the technical difficulty of some projects and the public acceptance of some savings.
- The need to have very tight control over demand-led budgets, such as social care and special education needs.
- The need to manage other risks that could affect the Authority's financial position. These include costs currently being borne by the NHS shifting to local authorities and loss of trading income.

<u>Treasury Management Strategy Statement</u>

143. The Treasury Management Strategy Statement, which includes the minimum revenue provision (MRP) statement and annual investment strategy, must be approved in advance of each financial year by the County Council. Appendix N to this report sets out the Treasury Management Strategy Statement for 2023/24.

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

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

146. The treasury management strategy has been updated for 2023/24 for the following:

- Updated CIPFA prudential and treasury management Code - that authorities must not borrow (internally or externally to invest in physical assets primarily for financial gain).
- New liability benchmark prudential indicator, included in Annex 2 - shows in a graphical form the projection of loan debt the council needs each year into the future to fund its existing debt liabilities.
- Increased limits for approved organisations for lending – Annex 3. Average investment balances of £400m meaning it is necessary to increase some limits in order to maintain a flexible, risk averse approach to TM and sufficient counterparties. The changes are detailed below:

Institution	**Maximum Sum Outstanding / Period of Loan**
UK banks and UK building societies:	£35m/6 months up to (previously £30m)
	£55m/12months (not special# Institutions). (previously £50m)
	£75m/12months (special# Institutions) Special = significant element of UK government ownership. (previously £70m)
Money Market Funds:	£40m limit within any AAA-rated fund. (previously £30m)
	£160m maximum exposure to all Money Market Funds (previously £120m)
Pooled private debt funds	£30m plus £20m overlap for maturing. (previously £20m plus £20m for maturing)
Pooled bank capital release funds	£20m. (previously £15m).

147. Subject to approval of the Treasury Management Strategy the Council will seek to invest:

- £10m in pooled private debt funds. This will bring the total investment to £39m, comprising £30m committed capital and £9m maturing from past investments.
- £5m in pooled bank capital release funds, bringing the total investment to £15m.

These investments are in the same funds previously committed to by the Council.

148. The expectation is that there will be no new external borrowing by the County Council in the period covered by this MTFS, namely 2023 to 2027.

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

150. The strategies were considered and noted by the Corporate Governance Committee on 27 January 2023.

Capital Programme 2023/24 to 2026/27

151. The overall approach to developing the capital programme is included in the capital strategy, Appendix G, and has been based on the following key principles:

- To invest in priority areas of growth, including roads, infrastructure, economic growth;
- To invest in projects that generate a positive revenue return (spend to save);
- To invest in ways which support delivery of essential services;
- Passport Government capital grants received for key priorities for highways and education to those departments.
- Maximise the achievement of capital receipts.
- Maximise other sources of income such bids to the LLEP, section106 housing developer contributions and other external funding agencies.
- No investment in capital schemes primarily for financial return, where borrowing is required anywhere within the capital programme (in line with the prudential code).
- In exceptional circumstances limited prudential borrowing will be considered where needed to fund essential investment in service delivery.

152. The draft capital programme totals £509m over the four years to 2026/27. The programme is funded by a combination of Government grants, capital receipts, external contributions, revenue balances and earmarked reserves. The draft programme and funding are shown below.

Draft Capital Programme 2023-27

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Children and Family Services	33.0	45.8	16.4	9.0	104.2
Adults and Communities	5.4	6.0	5.4	4.4	21.2
Environment and Transport	75.1	113.1	43.8	23.4	255.4
Chief Executive’s	0.1	0.1	0.0	0.0	0.2
Corporate Resources	2.7	1.5	3.8	1.7	9.7
Corporate Programme	10.2	30.1	35.5	42.5	118.3
Total	**126.5**	**196.6**	**104.9**	**81.0**	**509.0**

Capital Resources 2023-27

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Grants	103.8	56.6	28.5	28.5	217.4
Capital Receipts from sales	4.9	13.4	1.0	1.0	20.3
Revenue/ Earmarked reserves Contributions	0.0	93.6	0.8	1.3	95.7
External Contributions	17.8	13.0	14.0	7.5	52.3
Total	**126.5**	**176.6**	**44.3**	**38.3**	**385.7**
Funding Required	**0.0**	**20.0**	**60.6**	**42.7**	**123.3**

153. Where capital projects are not yet fully developed, or plans agreed, these have been included under the heading of future developments under each departmental programme. It is intended that as these schemes are developed during the year, they will be assessed against the balance of available resources and included in the capital programme as appropriate. A fund of £40m is included in the draft capital programme, shown with the corporate programme. This is a reduction of £20m compared with previous years following the promotion of schemes to the main capital programme and an updating of the latest requirements.

154. The overall proposed capital programme can be summarised as:

Service Improvements	£234m
Investment for Growth	£159m
Invest to Save	£76m
Future Developments	£40m
Total	**£509m**

Changes to the Draft Programme since 16 December 2022

155. There has been one change to the proposed programme, the inclusion £0.4m for recycling and household waste sites works - fully funded from s106 contributions.

156. All capital profiles have been reviewed for the latest estimates of expenditure and updated in the proposed programme.

157. The overall funding has increased by £5.3m. This is from the additional revenue contribution to capital as described earlier in the report £5m, and reserves no longer required, £0.3m. This has reduced the overall borrowing requirement to fund the capital programme to £123m, from £129m reported in December 2022.

Funding and Affordability

Forward Funding

158. The County Council understands the need to, and has forward funded investment in, developing infrastructure projects to enable new schools and roads to be built and unlock growth in Leicestershire before funding, mainly from section 106 developer contributions, is received. A total of £31m in forward funding is included in the proposed capital programme 2023-27 (in addition to £6m in previous years) that is planned to be repaid in the future. When the expected developer contributions are received they will be earmarked to the capital programme, to reduce the levels of borrowing required.

159. Forward funding presents a significant financial commitment and risk for the Council. An increased reliance on developer contributions through section 106 agreements means that it may take many years for investment to be repaid. Historic agreements may not be sufficient for the actual cost of infrastructure in the high inflation environment that is currently being experienced. The drivers of inflation are having a particularly profound impact upon construction schemes.

Risks could be further compounded in the event of an economic slowdown, which could delay the housing development required before section 106 contributions are to be paid. The Council's medium and longer term financial strategies are only sustainable if this funding is recovered.

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

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

162. The Capital Programme includes some of the infrastructure funding for 2, out of 7, district local plans. Without appropriate funding, infrastructure relating to further plans cannot be added to the programme. The limited financial resources available will need to be focused on schools, as they are the County Council's statutory responsibility, although this will need to be kept to a minimum. It is therefore critical that Local Plans are prepared with sufficient evidence to secure contributions and delivery for critical infrastructure.

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

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

Capital Grants

165. Grant funding for the capital programme totals £217m across the 2023-27 programme. The majority of grants are awarded by Government departments including the Department for Education (DfE) and the Department for Transport (DfT).

Children and Family Services

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

a) Basic Need – this grant provides funding for new pupil places by expanding existing schools and academies or by establishing new schools. Funding is determined through an annual submission to the DfE which identifies the need for additional school places in each local authority area. The DfE has announced details of the grant awards for 2023/24 £14.3m and 2024/25 £3.1m. No details have been announced for future years. An estimate of £2m has been used for 2025/26 to 2026/27.

b) Strategic Capital Maintenance – this grant provides the maintenance funding for the maintained school asset base. Details of the grant for 2023/24 and future years have not yet been announced. An estimate of £2m per annum is included in the capital programme. It is expected that this grant will continue but will reduce as further schools convert to academy status.

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

d) New (Free) School bid – the programme funding includes an £8m DfE grant to fund a new Social Emotional and Mental Health special school in 2024/25 required as part of the High Needs Development plan.

Adult Social Care

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

Environment and Transport

168. Grants for 2023/24 and 2024/25 are based on indicative allocations previously advised by DfT. Later years are not yet known and for these estimates have been made based on previous years. The allocations included are:

a) Integrated Transport Block - £2.8m p.a. (£11.0m overall).
b) Maintenance - £9.9m p.a. (£39.5m overall).
c) Transport Infrastructure Investment Fund (inc. Pot Holes) - £7.9m p.a. (£31.6m overall).

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

- DfT North and East Melton Mowbray Distributor Road funding - £49.5m
- Housing Infrastructure Fund – Melton Mowbray Southern Distributor Road - £16.7m (total £18.2m including previous years).

Capital Receipts

170. The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £20.3m across the four years to 2026/27.

171. The estimate includes potential land sales that are subject to planning permission. In these cases the value of the site is significantly increased when planning permission is approved. However, this also comes with a significant amount of uncertainty and potential for delays. For planning purposes a prudent total of £3m of future estimated sales subject to planning permission has been included.

Revenue / Earmarked Reserves / Contributions

172. To supplement the capital resources available and avoid the need for borrowing £96m of revenue/ reserves funding is being used to fund the programme consisting of:

One-off MTFS 2023-27 revenue contributions	£11m
Departmental earmarked reserves	£4m
Capital Financing earmarked reserves	£81m
Total	£96m

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

External Contributions and Earmarked Capital Funds

174. A total of £52m is included in the funding of the capital programme 2023-27. This relates to section 106 developer contributions, including an estimated £5.2m in section 106 receipts relating to forward funded capital schemes over the next four years.

Funding from Internal Balances

175. A total of £123m in funding required is included within the capital programme to fund the programme and enable investment in schools and highway infrastructure to be made. Over the next 10 to 15 years it is anticipated that circa £32m of this funding will be repaid through the associated developer contributions.

176. Due to the strength of the County Council's balance sheet, it is possible to use internal balances (cash balances) to fund the capital programme on a temporary basis instead of raising new external loans. Levels of cash balances held by the Council comprise the amounts held for earmarked reserves, provisions, the Minimum Revenue Provision (MRP) set aside for the repayment of debt and working capital of the Council. The cost of raising external loans over the medium to long term is forecast to exceed the cost of interest lost on cash balances by circa 1%.

177. The overall cost of using internal balances to fund £123m of investment is dependent on what happens to interest and borrowing rates over the medium to long term. Current forecasts show the cost of externally borrowing £123m would be around £8.5m per annum for the next 40 years, in interest and repayment of principal - minimum revenue provision (MRP). Internal borrowing would still require MRP setting aside but net interest savings could amount to £1.5m per annum. But because of the uncertainty on interest rates, this position will be kept under review as part of the treasury management strategy.

178. The County Council's current level of external debt is £262m. As described above this is not assumed to increase during the MTFS. The relative interest rates and cash balances will be kept under review to ensure that this is the right approach.

<u>Capital Programme Summary by Department</u>

179. Over the period of the MTFS, a capital programme of £509m is required of which £127m is planned for 2023/24. The main elements are:

- Children and Family Services - £104m. The priorities for the programme are informed by the Council's School Place Planning Strategy and investment in SEND as part of the High Needs Development Plan, explained earlier in this report.
- Adults and Communities - £21m. The programme includes £18m relating to the Disabled Facilities Grant (DFG) programme and schemes for the Social Care Investment Plan (SCIP).
- Environment and Transport - £255m. This relates to: Major Schemes such as Melton Mowbray Distributor Road North/East and Southern Sections, Zouch Bridge replacement as well as the Transport Asset Management Programme and the Environment and Waste Programme. Other significant projects include Melton Depot replacement, vehicle replacement and advanced design.
- Chief Executive's - £0.2m, for Legal - Case Management System.
- Corporate Resources - £10m. This mainly relates to investment in ICT, Transformation, Property and Environmental Improvements.
- Corporate Programme - £118m. Investment includes the Investing in Leicestershire Programme, the future developments fund (subject to business cases), and major schemes portfolio risk.

180. Details of the proposed capital programme for 2023-27 are shown in Appendix F to this report.

181. In January 2023 the Council was notified that it was unsuccessful in its bid to the governments Levelling Up Fund (LUF) round 2, for funding towards the replacement of Zouch bridge; the funding allocated in the capital programme is insufficient to fund the replacement of the bridge. Opportunities to bid for other grant funding is very limited. However, the government has recently announced that there will be a further round of funding made available for the LUF. The Council will review the feedback from its unsuccessful bid and will submit a new application when the new fund opens.

Investing in Leicestershire Programme

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

183. A total fund of £203m is forecast by the end of 2022/23, with additional investments of £57m included within the draft capital programme bringing the total held to £260m. Annual income returns are currently around £6.5m and are forecast to increase to £8m by the end of the MTFS period (and higher in later years), contributing ongoing net income for the Council.

Capital Summary

184. The capital programme totals £509m over the four years to 2026/27. The Council recognises the need to fund long term investment and has set a capital programme that includes forward funding of capital infrastructure projects for highways of £31m (£37m cumulative).

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

186. Overall £123m from internal cash balances will be used to fund the cash flow of capital programme. As such there is very limited scope to add further capital schemes to the capital programme. The additional revenue costs arising from this total £7m per annum, on the basis of internal borrowing.

187. By their nature, discretionary asset investments, which are made to generate capital receipts or revenue returns, are risky. Whilst this is partially mitigated by the County Council's ability to take a long-term view of investments, removing short-term volatility, it is likely that not all investment will yield returns in line with the business case.

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

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

Other Funding Issues

Freeport

190. The County Council is acting as Lead Authority in relation to the establishment and ongoing activity of the East Midlands Freeport (EMF). The final business case is expected to be approved imminently although tax site designation has been in place since the start of the financial year.

191. The County Council has provided up front funding to support business case development and wider set up costs. This is in the form of a loan capped at £2.5m. Capacity funding has also been received from DLUHC. By the end of the current financial year it is expected that around £1.9m of the £2.5m will have been drawn down with the remainder in 2023/24. This loan will begin to be paid back by the end of the next financial year from the Freeport's retained business rates income stream and it is expected to be fully repaid, with interest, within the 2025/26 financial year.

Equality and Human Rights Implications

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

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

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

194. A high-level Equalities and Human Rights Impact assessment of the MTFS 2022-26 was completed last year to:

- Enable decision makers to make decisions on an informed basis which is a necessary component of procedural fairness;
- Inform decision makers of the potential for equality impacts from the budget changes;
- Consider the cumulative equality impacts from all changes across all Departments;

- Provide some background context of the local evidence of cumulative impacts over time from public sector budget cuts.

195. This assessment will be revised and updated for the new MTFS 2023-27 and included in the proposed MTFS to the Cabinet in February 2023. Many of the proposals in the MTFS were agreed as part of the decision to adopt the previous MTFS, and others are amendments to existing plans that have already been agreed.

196. Overall, the previous assessment found that the Council’s budget changes will have the potential to impact older people, children and young people, working age adults with mental health or disabilities and people with disabilities more than people without these characteristics. This is as expected given the nature of the services provided by the Council. The findings between April 2017 and September 2022 of the Leicestershire Community Insight Survey found that a significantly higher percentage of women, non-white British people, people with health problems, people with a disability, people with a sexual orientation other than heterosexual and people who receive care support responded that they had been affected a “fair amount” or a “great deal” by national and local public sector cuts.

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

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

199. Any savings arising out of a reduction in posts will be subject to the County Council’s Organisational Change policy which requires an Equality Impact Assessment to be undertaken as part of the Action Plan. Where there are potential Human Rights implications arising from the changes proposed, these will be subject to further assessment including consultation with the Council’s Legal Services.

Crime and Disorder Implications

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

Environmental Implications

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

Partnership Working and Associated Issues

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

Risk Assessments

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

Background Papers

Report to the Cabinet 16 December 2022 – Provisional Medium Term Financial Strategy 2023-27 – Proposals for Consultation.
https://politics.leics.gov.uk/documents/s173971/MTFS%202023-27%20Report%20-%20Cab%2016-12-22%20-%20at%2012.12.22%206pm.pdf

Report to the County Council 23 February 2022: Medium Term Financial Strategy 2022-26 - https://bit.ly/3Wdxiwf

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

Appendices

Appendix A: 2023/24 Revenue Budget
Appendix B: Four Year Revenue Budget 2023/24 to 2026/27
Appendix C: Growth and Savings 2023/24 to 2026/27
Appendix D: Savings under Development
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Appendix I: Risk Management Policy and Strategy
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Appendix P: Equality and Human Rights Impact Assessment
Appendix Q: Comments of the Overview and Scrutiny Committees and Scrutiny Commission