Agenda Item 9

Leicestershire County Council

SCRUTINY COMMISSION - 8 NOVEMBER 2023

2023/24 MEDIUM TERM FINANCIAL STRATEGY MONITORING (PERIOD 6)

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. The purpose of this report is to provide members with an update on the 2023/24 revenue budget and capital programme monitoring position as at the end of period 6 (the end of September 2023).

Policy Framework and Previous Decisions

2. The 2023/24 revenue budget and the 2023/24 to 2026/27 capital programme were approved by the County Council at its budget meeting on 22 February 2023 as part of the Medium-Term Financial Strategy.

3. The four-year capital programme was reviewed over the summer and an updated programme was approved by the Cabinet on 15 September 2023.

Background

4. The period 6 revenue budget monitoring exercise shows a net projected overspend of £10.0m.

5. The period 6 capital programme monitoring exercise shows a projected net slippage of £6.3m compared with the updated 2023/24 budget.

6. The monitoring information contained within this report is based on the pattern of expenditure to the end of September 2023.

2023/24 REVENUE BUDGET MONITORING – PERIOD 6

7. The period 6 revenue budget monitoring exercise shows a net projected overspend of £10.0m. A summary of the position on the revenue budget is shown below and set out in more detail in Appendix A.

REVENUE BUDGET MONITORING STATEMENT
AS AT END SEPTEMBER 2023

	Updated Budget	Projected Outturn	Difference from Updated Budget	
	£000	£000	£000	%
Schools Budget – Schools and Early Years	0	-2,080	-2,080	
Schools Budget – High Needs	0	14,300	14,300	
Net Total	0	12,220	12,220	
Children & Family Services (Other)	103,362	112,962	9,600	9.3
Adults & Communities	206,897	213,487	6,590	3.2
Public Health	-1,806	-1,806	0	0.0
Environment & Transport	96,894	98,004	1,110	1.1
Chief Executives	15,430	15,360	-70	-0.5
Corporate Resources	39,096	39,376	280	0.7
Capital Financing	26,520	25,020	-1,500	-5.7
Contingency for Inflation	17,443	20,443	3,000	17.2
Other Areas	-3,080	-12,560	-9,480	n/a
Contribution to budget equalisation earmarked reserve	10,400	22,400	12,000	115.4
Contribution to General Fund	1,000	1,000	0	0.0
Total	512,156	533,686	21,530	4.2
Funding	-512,156	-523,656	-11,500	2.2
Net Total	0	10,030	10,030	

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

Children and Family Services – Schools Budget

9. Overall a net overspend of 12.2m is forecast on the Dedicated Schools Grant (DSG). This comprises an overspend of £14.3m on the High Needs Block, offset by a forecast underspend of £1.6m on the Early Years Block, and an underspend of £0.5m on the Schools Block from schools' growth, which will be retained for meeting the costs of commissioning school places in future years.

10. The High Needs Block projected overspend of a net £14.3m in 2023/24 is £1.0m more than the £13.3m forecast included within the original MTFS. The main variance is an additional overspend of £0.8m forecast on the Secondary Education Inclusion Partnership (SEIP) budget due to an increase in cost and pupil numbers within the devolved partnership budgets.

11. Nationally, concern over the impact of Special Educational Needs and Disabilities (SEND) reform on High Needs expenditure, and the financial difficulties this exposes local authorities to, is growing. Whilst the Government's recent Green Paper is set to result in systemic changes to the national SEND system, such changes may take a number of years to deliver and none appear to address the funding issues.

12. Leicestershire has been invited into the Department of Education's (DfE) Delivering Better Value (DBV) in SEND programme as a result of the DSG deficit. At the end of 2022/23 the accumulated High Needs deficit stood at £35.5m. Leicestershire has received £1m to support the transformation of the SEND system. The Transforming SEND in Leicestershire (TSIL) programme is mobilised and is supported by colleagues across the Authority and by an external strategic partner, Newton Europe, (independent consultants appointed by the Council); this programme and the DBV programme will be closely aligned. Discussions have taken place with the DfE regarding the strategic partner and funding. Whilst the cost of the strategic partner cannot be charged to DSG the investment in TSIL is recognised as a key step in reducing the DSG deficit and as such would be taken into consideration if there was a call on the County Council to contribute to the deficit reduction, as has been the case for authorities with even more serious deficits.

13. Without new interventions the High Needs block deficit is forecast to continue to increase over the MTFS period and is not financially sustainable. This creates a significant and unresolved financial risk to the Council. Work is underway to reassess the financial impact on the budget over the coming months and target savings from the TSIL programme are £32m by 2028/29.

14. The Early Years budget is showing an underspend of £1.6m. The budget is based on the number of hours used to calculate the original 2023-24 Early Years DSG income in December 2022. The 2023-24 Early Years DSG income was increased in July 2023 by £1.7m to allow for the Spring Term 2023 census. This includes a prior year adjustment of £0.6m relating to 2022/23. The forecast hours paid to Providers for 2023-24 are £1.2m more than the budget, reflecting the increase in Spring 2023. There is also a planned underspend of £0.9m as part of the payback of previous years' Early Years deficits. The deficit as at 31 March 2023 was £5.3m, so this projected £1.6m underspend will reduce this. The plan is to clear this deficit over 4 years.

<u>Children and Family Services – Local Authority Budget (Other)</u>

15. The Local Authority budget is projected to overspend by a net £9.6m (9.3%), mainly relating to projected overspends on the Children's Social Care Placements budget (£6.5m), Unaccompanied Asylum Seeking Children's budget (£1.8m), SEN service budget (£0.9m) and Education Psychology Service (£0.4m).

16. The actual number of Children in Care (CIC), currently circa.700 and broadly consistent with CIC numbers in Leicestershire since early 2021, has continued to stabilise and remain low through the work of the Defining CFS Programme. As a result, the number of older children with complex emotional needs requiring higher levels of support in residential care has also remained in line with current MTFS projections, circa.10-11% of overall children in care numbers.

17. The projected overspend on the Children's Social Care Placement budget (£6.5m) is largely due to the average weekly cost per residential placement having increased from £4,800 per week (budgeted average cost included in the MTFS) to the current average of £5,750 per week which equates to a 20% increase in the last 12-18 months. The increase is partly related to the cohort of children (those with the most appropriate fit for residential care) but the main contributing factor is market pressures. A lack of provider capacity and volatility in the market, as well as increasing complexity and/or different cohort of children and young people needing placements, has significantly increased the cost of new placements compared to those placements ending.

18. Market instability and provider choice is resulting in children with a range of complex needs being 'unattractive' to the market (needs includes violence, aggression as a result of experiencing trauma) and results in the use of high cost (£10,000+ per week per child) interim provisions until behaviour stabilises or another placement can be found. Other sufficiency issues impacting on budget pressure include a lack of step-down options from residential provision (circa.10 children who have been waiting long periods for family-based placements), with continued searches and work with providers to try to identify suitable provision, not helped with a low recruitment pipeline for mainstream carers, nationally, which particularly impacts on availability of placements for older children and those with more complex needs.

19. As part of the actions being taken to mitigate against these financial pressures, the Defining Children and Family Services for the Future programme has several workstreams to enable MTFS benefits to be achieved alongside the Social Care Investment Programme (SCIP) working in partnership with Barnardo's. This will have a positive impact through the creation of additional residential provision capacity for under 16's, over 16's and parent and children places. The Council has been successful in obtaining additional capital grant funding (match funded by LCC) to enable investment in nine properties and up to 27 placements over the MTFS, of which one unit is currently up and running with children placed and several other units are to become operational later this financial year. Although part of the registration process of these units requires each unit's operational infrastructure to be live in preparation for Ofsted to grant its registration. This subsequently adds one-off additional costs to the placement budget forecast. These have been factored into the forecast (current estimate circa £1m), with the profiled go live of several units to take place over the course of this financial year.

20. Further mitigating actions in place across the department include:

- Right service at the right time - ensuring reduced periods of care or care avoidance through family help and family support new models of working (operational by

January 2024); and targeted interventions through exiting care by legal orders and step-down from residential interventions; refocusing of Art and Resource Team resource entirely on edge of care high need.

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

21. The £1.8m projected overspend position in relation to the Unaccompanied Asylum-Seeking Children (UASC) budget is largely due to the rapid increase in UASC in care and care leavers, which has required a greater resource requirement to meet their needs. The different entry routes include both the National Transfer Scheme (NTS), as well as spontaneous arrivals. But more recently through the hotel dispersal scheme where requests to accommodate people placed in Asylum Dispersal Hotels in Leicestershire are made. Whilst they have been deemed adults by the Home Office they subsequently claim to be children which creates an additional pressure for the service to manage which is not fully funded. In addition, delays in asylum claim processes mean that the Council is often accommodating young people well past the age of 18. Home Office funding drops significantly at the age of 18, but the costs do not.

22. Currently there are 97 UASC in care. This is an increase of 37 young people (62%) since 31 March 2022. This rise continues the upward trend experienced in 2021/22, an expected increase due to the NTS becoming mandatory and two dispersal hotels opening in Leicestershire. UASC over 18's is currently 122, which represents almost a 77% increase since March 2022, and this is linked to the increasing number of care leavers, for whom a reduced funding rate is received in comparison to the costs being incurred.

23. The Special Educational Needs Assessment Service budget is currently forecast to overspend by £0.9m in 2023/24. During the previous financial year increased service demand and complexity resulted in the need for additional service resources to ensure demand can be managed in the most efficient and effective manner, with this position continuing into 2023/24. A heavy reliance on agency workers to undertake Education, Health and Care Plan (EHCP) writing and tribunal work has resulted in a forecast overspend in this area. Meanwhile mediation costs remain high adding to the overall in year budget pressure.

24. The Education Psychology service is projected to overspend by £0.4m in 2023/24. Difficulties recruiting into vacancies in this area has resulting in an increased reliance on

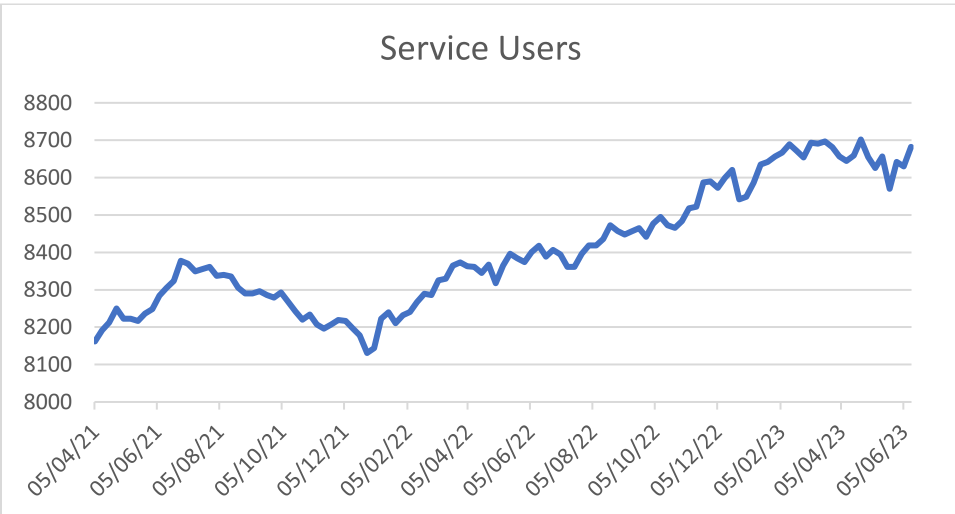
locums at a significantly higher cost. Increased demand due to an increase in the number of EHCP needs assessments has further impacted the overspend position.

Adults and Communities

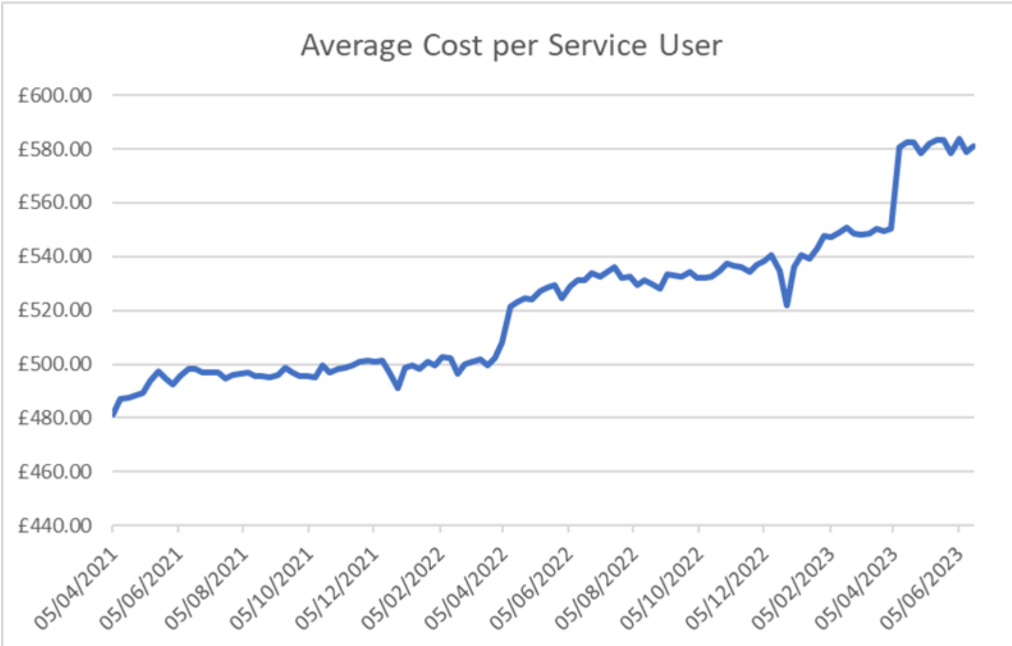
25. A net overspend of £6.6m (3.2%) is forecast for the departmental revenue budget for 2023/24.

Overall Demand Trends

26. The following chart shows the overall numbers of service users being supported across Residential Care, Homecare, Supported Living, Cash Payments and Community Life Choices from April 2021 through to June 2023. Typical growth would be approximately 1-1.5% per annum. However, the current number of service users supported is increasing at around 3% per annum.



27. The following chart shows the average cost per service user over the same time period. The steep rise from April relates to the annual fee review uplift.



28. Note the average cost per service user was not static and rose over the course of 2022/23 mainly driven by higher cost packages within residential care from market pressures to secure a placement and increasing hours being commissioned within Homecare from increasing numbers of discharges from hospital.

29. The main areas of variance are:

<u>Homecare - £8.3m overspend</u>

30. The current weekly homecare payments are estimated to be £0.9m per week. The forecast provides for an average of 2,730 service users for the year which is 7% higher than the budgeted number of 2,540. Current average package costs (or hours) are 6% higher than budgeted (excluding the fee uplift of 8.4%) at £332 per service user per week compared to the budgeted value of £313. The increase is from delaying admission into residential care and increased provision within the service user's own home, and lower numbers of service users opting to take a direct cash payment. There is ASC Discharge Grant of £0.7m offsetting this expenditure.

31. The department has established a wide-ranging demand management programme. This is prioritising an analysis of home care data to establish whether any internal changes in practice have led to the higher spend and to what extent this has been as a result of external influences. The project is also reviewing existing savings activity to ensure these are on track to meet the MTFS targets.

<u>Residential Care - £4.5m overspend</u>

32. The projected overspend is mainly due to increases in the average weekly cost per residential placement over and above the planned inflationary increases to the banded rates. This is a continuation of the pressure experienced in 2022/23 which led to an

overspend. There are an average 2,390 service users with an average weekly rate of £1,017.

33. The main driver of the increases is where the Authority has agreed funding above the banded rates to ensure that the service is provided with a suitable care placement, known as Local Authority Agreed Funding (LAAF) estimated to be around £7.2m. The forecast cost of LAAFs in 2023/24 (based on current volumes and values of LAAFs) is £15.0m. This compares to the 2022/23 cost of £12.6m, and 2021/22 of £10.0m. The 2023/24 forecast is a 50% increase on the 2021/22 costs. This is a combination of both an increase in the volume and value of LAAFs. The volume of LAAFs has increased from 742 service users per week in 2021/22 to 994 in 2023/24. The value of LAAFs has increased from an average of £258 per service user per week in 2021/22 to £294 in 2023/24. The increase in LAAFs (both volume and value) is predominantly in the older adults area.

34. An increase in the residential banded rate and the implementation of a nursing rate in October estimate to be £2.1m. These increases are funded through the Market Sustainability and Improvement Fund (part 1) grant, which is included (identified on a separate income line).

35. This overspend is offset by additional service user income of £2.6m which is mainly due to backdated arrears from working through a backlog of financial assessments.

36. The Department has also allocated the latest tranche of Market Sustainability and Improvement Fund (part 2) to reduce this overspend by £3.7m (identified on a separate income line).

<u>Supported Living - £3.9m overspend</u>

The forecast assumes a projected increase of 30 service users over the course of the financial year from 470 to 500. The majority of the increase in service users are from those either transitioning from Children's Social Care, living at home with their parents, or moving from a hospital setting into Supported Living. They represent new growth in numbers rather than a movement of existing service users from Residential Care, which was the primary driver under the Target Operating Model Programme. The Dynamic Purchasing System used by supported living commissioners is increasing the supply of additional Supported Living schemes, facilitating the increase in the number of placements that can be made. Average placement costs have risen since April and currently stand at £1,525 per week per service user (+3%). There has also been an increase in community income to offset these additional costs. The Department as part of MTFS saving AC14 is looking into ways to reduce demand for new and existing one to one support within Supported Living via the review process. Also, initial work has started reviewing how specialist and complex care is procured.

<u>Better Care Fund / Other NHS Income - £1.6m net loss of income</u>

37. A total of £6m income was budgeted for from the NHS for additional costs relating to Covid-19 mainly due to hospital discharges. However, current indications are that there

will be a £3.2m shortfall in this income for 2023/24. The overall position is offset by additional BCF income and new Discharge Grant of £1.7m.

Community Income - £2.4m additional income

38. The majority of the variance is due to health income from Supported Living service user packages which are generating an extra £1.1m, £0.3m is due to increased funding for Direct Payments clients and £0.35m relates to home care packages, mostly due to temporary health condition funding continuing at late 2022/23 levels. Community Life Choices income is lower by £0.2m, this is mostly as a result of clients moving at the end of 2022/23 onto Personal Health Budgets when the LCC day centres closed. Non-Residential Service User Income at this stage appears on track to overachieve the budget of £18.1m by £0.9m, due to increasing chargeable service users, as more service users are receiving a non-residential service such as homecare.

Other additional income £7.9m

39. There are two allocations of the Market Sustainability and Improvement Fund - Tranche 1 £3.5m and tranche 2 £3.7m which have been allocated to offset the current additional costs particularly in residential care, increased residential and nursing fees as part of the Market Sustainability Plan, supporting staffing and reducing waiting times for care. There has also been an allocation from the ASC Discharge Grant of £0.7m to support extra homecare costs.

40. The net overspends above are offset by a net £1.4m underspend from staffing and other minor variations.

41. A robust demand management plan will continue to be in place during 2023/24 which will focus on managing demand particularly for homecare:

- reviews of all service users’ packages that have commenced or changed since April 2022
- working with NHS partners to help improve the discharge pathway including reviewing funding arrangements
- ensure financial and funding assessments are undertaken
- reviewing internal processes.

Public Health

42. The Department is forecasting an underspend of £0.2m, mainly due to staffing vacancies. The underspend will be transferred to the Public Health earmarked reserve.

Environment and Transport

43. A net overspend of £1.1m (1.1%) is forecast.

44. Across Highways and Transport Operations a net £4.5m overspend is reported as a result of:

- Social Care Transport / Passenger Fleet - net overspend £0.9m. Increased costs following a rise in the number of commissioned journeys for Social Care Transport, additional vehicle hire and maintenance costs, net of underspends on Passenger Fleet due to vacant driver and escort posts.
- SEN Transport – £2.1m overspend. Delays in receipt of applications for SEN transport combined with the effects of a shrinking transport sector.
- Mainstream School Transport - £2.0m overspend. Delays in processing mainstream school transport applications, allocation of placements outside residential area and limited bus capacity.
- Environmental and Reactive maintenance works – £0.6m overspend. Increased highways maintenance costs required to meet policy requirements.
- Fleet Services - £0.2m overspend. Due to additional vehicle maintenance and hire costs.
- Staffing vacancies – net £0.6m underspend. On-going staffing vacancies caused by an inability to recruit to vacant posts across teams.
- Additional fee income – net £0.5m underspend. Increase in issues of Temporary Traffic Regulation Orders (TTRO) and network licenses/permits.
- Concessionary travel - £0.2m underspend. Lower than budgeted reimbursement.

45. There has been a significant increase in the overspend in SEND Transport, Mainstream School Transport and Social Care Transport services since period 4 – from £1.1m to £4m. Inability to recruit drivers and escorts for Fleet Services combined with an increase in demand has led to rising SEN transport cost (£0.9m net). Mainstream School Transport continues to face increased daily costs despite autumn term contract reviews as a result of known market forces (£1.5m); and there has been a significant rise in the number of Social Care transport journeys (£0.5m).

46. There is a net underspend of £1.8m on Environment and Waste Management services. Additional income from the sale of dry recyclable materials and electrical items (£0.5m); lower tonnages than anticipated for green waste (£0.2m); vacancy underspends (£0.4m) and net underspends arising from the diversion of waste from Energy from Waste (EfW) and Refused-derived fuel (RDF) facilities into landfill (£0.6m). This diversion is generating less haulages costs as waste is going directly into landfill causing an underspend of (£0.2m). These underspends offset the cost of legislative change to divert the disposal of upholstered domestic seating containing Persistent Organic Pollutants (POPs) from landfill to incineration (£0.2m). The balance relates to underspends on delivery of Environmental policy and initiatives (£0.1m underspend).

47. The balance relates to vacancies across teams within Development & Growth (£0.7m underspend) and additional income from S38 and S278 fees relating to highway infrastructure (£0.9m underspend).

<u>Chief Executive's</u>

48. The Department is reporting a net underspend of £0.1m (0.5%). There are underspends mainly due to increased Registrar's income (£0.4m) and staffing vacancies (£0.1m), offset by additional costs of £0.4m relating to the Coroner's Service.

Corporate Resources

49. The Department is forecasting a net overspend of £0.3m (0.7%).

50. There are continuing pressures on Commercialism budgets, projected as a £0.6m overspend, due to increases in the national living wage and general inflationary pressures. The forecast position is after a one-off transfer of £2m from the MTFS Risks Contingency has been added to the School Meals service budget to mitigate the impact of the inflationary pressures arising from the difficult economic climate. Work is continuing to review pressures and to identify mitigating actions.

51. These additional costs are partly offset by vacancy savings of £0.3m in other parts of the Department.

Central Contingencies

52. Growth contingency (£1m). At this stage the contingency is show as being released, to offset the overspends due to increased spending pressures in departments.

53. Fair Cost of Care / Adult Social Care Reforms (£4.6m). An element of £3.5m of this contingency is required to fund additional spending in Adults and Communities. The balance of £1.1m is shown as being released as an underspend reflecting the additional expenditure in the department.

54. MTFS Risks Contingency (£10m). £2m of the contingency has been released to provide temporary support to the Commercial Services budget. At this stage no further release of the contingency has been assumed in the projection. However, it is planned to be required to offset the overall forecast revenue overspend.

55. Inflation Contingency (£41.8m original budget, £17.4m balance). The contingency is currently projected to be exceeded by around £3m in the current year. The pay offers on the table for Local Government staff for the current year exceed the amount assumed in the contingency by around £1.6m. The position on a number of other key requirements, such as energy and other running cost inflation, should become clearer as the year progresses so at this stage there is considerable uncertainty in this estimate, although the overspend has been reduced by £1m since period 4.

Central Items

56. The Financing of Capital budget is forecast to be £1.5m underspent due to a reduction in interest payments following the early repayment of £42m of external debt principal to the Public Works Loans Board (PWLB) over the period June to August 2023. Following market expectations of higher and for longer inflation in the UK, there has been an increase in the discounts/reduction in the premiums available for the premature repayment of debt. At the start of the year the Council was £54m overborrowed against the capital financing requirement (the level of historic capital expenditure required to be

funded). The premature repayment rates will continue to be monitored for any further opportunities to repay existing debt early.

57. Bank and other interest, £6.4m increased investment income due to continued increases in the Bank of England base rate, and higher than estimated average Council balances. The base rate now stands at 5.25% with markets forecasting that rates have now peaked before starting to reduce during mid 2024. Average balances remain strong due to reserves, slippage on the capital programme and government grants paid in advance.

58. Central expenditure budgets are currently forecast at a net underspend of £1m relating to prior year adjustments, due primarily to the cleansing of receipted aged purchase orders that are no longer required.

59. Additional business rates income (£11.5m), as set out below, are shown as being contributed to the Budget Equalisation Reserve, to be used to offset the anticipated gap in the MTFS projection in 2025/26. In addition, £0.5m has also been contributed to the Budget Equalisation reserve to provide additional cover for the growing High Needs deficit.

Business Rates

60. Additional Business Rates income of £5.1m is forecast in 2023/24, based on the latest information from districts on their NNDR1 forms and forecast Section 31 grants. The MTFS adopted a prudent approach and did not allow for potential real terms growth or for the full impact of inflation in charges to businesses and S31 grants.

61. The latest projection of Leicester and Leicestershire Business Rates Pool shows levies for 2023/24, based on quarter two forecasts to be a total of £18.3m, of which one third (£6.1m) will be allocated to the County Council under the revised treatment of levies reported to Cabinet on 23 June 2023. In addition, there are amounts of £0.2m due as a third share of previous years' levies held by the LLEP and £0.2m relating to interest on 2020/21 and 2021/22 levies, giving an overall forecast of £6.4m.

Overall Revenue Summary

62. At this stage there is a forecast net overspend of £10.0m but given that the impact of inflation on the County Council budget is difficult to assess, this is uncertain. The position will be updated as more information is known during the financial year.

63. The 2023/24 outturn position is very concerning and despite actions to reduce expenditure a significant overspend for the financial year is the most likely outcome. The MTFS Risks contingency (£8m) will be the initial source of funding for the overspend. If this is not sufficient earmarked reserves will need to be diverted from their intended purpose to make up the shortfall. Any use of reserves to meet part of a 2023/24 overspend will have a consequence on the funding available to the County Council in future years, when pressures upon finances are expected to worsen significantly. Consideration is being given to the introduction of Spending Controls for the remainder of the year to limit the impact on the Council's reserves position.

CAPITAL PROGRAMME

64. The updated capital programme for 2023/24 totals £138m. This follows a review of the programme undertaken over the summer and approved by the Cabinet in September 2023.

65. The latest forecast on the capital programme for 2023/24 shows an overall net slippage of £6.3m. A summary is shown in Appendix C with details of the major variances provided in Appendix D. The main variances are reported below.

Children and Families

66. The Department is forecasting net slippage of £1.3m. The main variances relate to the Provision of School Places Programme.

- Robert Smyth School (Phase 4), £2.6m acceleration This school is undergoing a number of expansion projects in phases. The budget had been prudently profiled in the MTFS - however this has been progressed at a faster rate than anticipated.
- Shepshed Iveshead School, £0.7m slippage. The Shepshed site is complex with numerous provisions on it that have some degree of interaction and timing dependency. The triage process was re-run to allow for additional site visits, to review project brief and competitive procurement options available. Project slipped slightly (enabling works to be completed in 23/24 and start on site July 2024).
- Ibstock High School - slippage of £1.4m. This scheme supports housing growth in the area and transition to 11-16. School Organisation Service Manager has met with the school and contractors. Planning expected to be in after Christmas and start on site July 2024.

Adults and Communities

67. The Department is forecast to be on target to budget.

Environment and Transport

68. The Department is forecasting net slippage of £3.8m. The main variances are:

- Council Vehicle Replacement Programme, £2.4m slippage as orders have been committed however due to supplier issues this has delayed the delivery of the vehicles.
- Zouch Bridge Replacement – Construction and Enabling works, £0.8m. Tendering process to commence soon with award of contract expected early 2024.
- Waste Transfer Station Development, £0.3m slippage. Ongoing discussions with contractor regarding snagging issues has led to slippage.

Chief Executives

69. The Department is forecast to be on target to budget.

Corporate Resources

70. The Department is forecasting net slippage of £1.2m. The main variances are:

- Workplace Strategy - End user device programme (PC, laptop), £0.4m slippage agreed at previous WoW Programme Board to ensure refresh funds available beyond existing MTFS period.
- Workplace Strategy – Office Infrastructure, £0.3m slippage is due to requirements for departmental engagement and detailed design work pre-implementation. Internal resources has also impacted on delivery timescales.
- Workplace Strategy – Property costs, £0.2m slippage as all moves for Chief Executives/Corporate Resources to be completed before any further lettings take place.

Corporate

71. The Department is forecast to be on target to budget.

Capital Receipts

72. The requirement for general capital receipts for 2023/24 is £3.5m. The latest estimate of receipts in 2023/24 is forecast to be £5.7m due to some earlier disposals than originally planned.

Investing in Leicestershire Programme – 2023/24 Quarter 2 Monitoring

73. A summary of the Investing in Leicestershire Programme (IiLP) position as at quarter 2 for 2023/24 is set out below:

Asset Class	Opening Capital Value	Capital Incurred / (Returned) 2023/24	Net Income YTD	Forecast Net Income FY	In year forecast net income return %	Since Inception IRR / Target
	£000	£000	£000	£000	%	%
Development	**46,187**	**419**	**(72)**	**(136)**	**(0.3%)**	n/a
Rural	**24,212**	**94**	**77**	**452**	**1.9%**	n/a
Office	53,103	0	1,198	2,997	5.6%	
Industrial	29,514	68	753	1,424	4.8%	
Distribution	454	0	11	9	2.0%	
Other	4,588	0	113	226	4.9%	
Central costs – additional sinking fund	0	0	0	(366)	0	
Directly Held Properties	**87,658**	**68**	**2,075**	**4,290**	**4.9%**	n/a
Pooled Property (three open ended and one closed ended fund)	22,471	0	420	789	3.5%	2.2%
Private Debt MAC 4 2017	8,739	(2,048)	659	659	8.4%	4.7%
Private Debt MAC 6 2021	19,969	(372)	459	541	2.3%	6.5%
Pooled Infrastructure Fund	8,693	0	151	380	4.4%	6%
Pooled Bank Risk Share	15,541	0	0	635	4.0%	8.5%
Indirect Holdings	**75,413**	**(2,420)**	**1,689**	**3,004**	**2.3%**	
Total (All IiLP)	**233,469**	**(1,838)**	**3,770**	**7,610**	**3.3%**	
Total excl. development and rural	**163,071**	**(2,351)**	**3,766**	**7,295**	**4.5%**	

74. Overall the fund is forecasting to achieve a 3.3% net income return for 2023/24. The forecast net income of £7.6m is in line with the budget.

75. The purpose of diversifying investments is to reduce overall portfolio risk by investing in differing asset classes and geographies. The aim is to provide diversified income from a variety of differing sources. During 2022/23 two new investments were made totalling £23.7m, comprising £15m to a bank risk sharing investment and £8.7m into a pooled infrastructure fund.

76. The valuations for the diversifiers include the four pooled property funds which in 2022/23 fell in aggregate by £5.5m in the year. Reductions in commercial property valuations have levelled off in 2023/24 however property valuations are sensitive to interest rate expectations and an increase in peak UK rates would have a negative impact on valuations, all other things being equal. Income from the underlying holdings is still considerable and is expected to be ahead of the budget of £0.8m.

77. Private debt income was lower than budgeted by £0.5m in 2022/23 due to the manager holding higher than normal cash levels whilst the volatility in exchange rates persisted during the second half of 2022/23. The exchange rates have since normalised, the

manager has distributed £1.1m in quarter one on 2023/24 alone. This level of income is not envisaged to continue throughout the year, some of which was a catch up from last year. At present forecast private debt income is ahead of the £1.1m budget.

78. Income from the bank risk share investment should commence quarterly later this financial year and the IiLP should receive two payments. Income is expected to be higher than budgeted given the favourable interest rate environment that the fund's income is referenced from.

79. It should be noted that the above table excludes in year capital growth which is assessed annually as part of the asset revaluation exercise and reported in the annual IiLP performance report.

Recommendation

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

Circulation under the Local Issues Alert Procedure

None.

Equality and Human Rights Implications

There are no direct implications of this report.

Appendices

Appendix A: Revenue position as at Period 6, 2023/24
Appendix B: Revenue budget major variances
Appendix C: Capital Programme monitoring statement
Appendix D: Capital Programme – forecast main variances and changes in funding

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