Leicester
City Council

MEETING OF THE ADULT SOCIAL CARE SCRUTINY COMMISSION

DATE: **THURSDAY, 9 JANUARY 2025**
TIME: **5:30 pm**
PLACE: **Meeting Room G.01, Ground Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ**

Members of the Committee

Councillor March (Chair)
Councillor Cole (Vice-Chair)

Councillors Joannou, Kaur Saini, O'Neill, Orton, Sahu and Singh Sangha

Members of the Committee are invited to attend the above meeting to consider the items of business listed overleaf.

For Monitoring Officer

Officer contacts:
Katie Jordan, Senior Governance Setvices,
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If you have any queries about any of the above or the business to be discussed, please contact: Georgia.Humby@leicester.gov.uk or Kirsty.Wootton@leicester.gov.uk of Governance Services. Alternatively, email committees@leicester.gov.uk, or call in at City Hall.

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PUBLIC SESSION

AGENDA

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1. WELCOME AND APOLOGIES FOR ABSENCE

To issue a welcome to those present, and to confirm if there are any apologies for absence.

2. DECLARATIONS OF INTERESTS

Members will be asked to declare any interests they may have in the business to be discussed.

3. MINUTES OF THE PREVIOUS MEETING **(Pages 1 - 8)**

The minutes of the meeting of the Adult Social Care Scrutiny Commission held on 14th November 2024 have been circulated and Members will be asked to confirm them as a correct record.

4. CHAIRS ANNOUCEMENTS

The Chair is invited to make any announcements as they see fit.

5. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

Any questions, representations and statements of case submitted in accordance with the Council's procedures will be reported.

6. PETITIONS

Any petitions received in accordance with Council procedures will be reported.

7. DRAFT GENERAL REVENUE BUDGET AND CAPITAL PROGRAMME 2025/26 **(Pages 9 - 80)**

The Director of Finance submits a draft report proposing the General Fund Revenue Budget and Capital Programme for 2025/26.

8. ADULT SOCIAL CARE COST MITIGATION PROGRAMME **(Pages 81 - 90)**

The Director for Adult Social Care and Commissioning submits a report to provide an overview of the development and progress of the Adult Social Cost Mitigation Programme.

9. SUPPORT FOR PEOPLE WHO SELF-FUND THEIR SOCIAL CARE **(Pages 91 - 96)**

The Director of Adult Social Care and Safeguarding submits a report to provide the Adult Social Care Scrutiny Commission with an overview of the support offered to people who self-fund their Adult Social Care (ASC) support.

10. CQC ASSESSMENT UPDATE

The Strategic Director of Social Care and Education will provide the Adult Social Care Scrutiny Commission with a verbal update on the Care Quality Commission Assessment progress.

11. WORK PROGRAMME

(Pages 97 - 100)

Members of the Commission will be asked to consider the work programme and make suggestions for additional items as it considers necessary.

12. ANY OTHER URGENT BUSINESS

Leicester
City Council

Minutes of the Meeting of the
ADULT SOCIAL CARE SCRUTINY COMMISSION

Held: THURSDAY, 14 NOVEMBER 2024 at 5:30 pm

PRESENT:

Councillor March (Chair)
Councillor Cole (Vice Chair)

Councillor Joannou
Councillor Kaur Saini
Councillor O'Neill
Councillor Orton
Councillor Sahu
Councillor Singh Sangha

In Attendance

In Attendance Deputy City Mayor, Councillor Russell – Social Care, Health and Community Safety Kash Bhayani – Healthwatch

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82. WELCOME AND APOLOGIES FOR ABSENCE

There were no apologies of absence.

83. DECLARATIONS OF INTERESTS

There were no declarations of interest.

84. MINUTES OF THE PREVIOUS MEETING

The Chair noted that the minutes from the previous meeting held on 29th August 2024 were included in the agenda pack and asked Members to confirm whether they were an accurate record.

AGREED:

It was agreed that the minutes for the meeting on 29th August 2024 were a correct record.

85. CHAIRS ANNOUNCEMENTS

The Chair noted an update had been received from the Care Quality Commission (CQC). Ruth Lake, Director, Adult Social Care and Safeguarding confirmed that a notification had been received to start the next phase of the process and submit the required information return to CQC. Leicester City Council had been advised that the onsite inspection would take place within the next 6 months, with six to eight weeks' notice given of that date. A meeting with the senior leadership team and CQC would take place prior to inspectors arriving on site. Further updates will be given to the Scrutiny Commission.

The Chair further noted that a recent issue had taken place in which the Leicester City Councils phone lines went down.

Ruth Lake, Director of Adult Social Care and Safeguarding in response stated that the Council has a well-tested business continuity plan in place to manage these issues. The safeguarding line is one of the options when coming through on the Councils Automated Call Distribution System rather than a separate line. In the event that the telephone line goes down, three smartphones are in place and colleagues are immediately informed in the Communications and Media Team to circulate alternative numbers out on the Council's Public Facing information on the website, social media and internally to colleagues who may need to make contact Adult Social Care was able to ensure contact was possible throughout the significant IT outage that occurred in March this year.

The Chair asked Councillor Russell, Deputy City Mayor for Social Care, Health and Community Safety how the additional 600M in the budget for Adult Social Care for Local Authorities would impact Leicester City Council.

In response Cllr Russell stated that the increase was very welcomed, but still not enough. The detail of what the money will bring to the budget wont be available until the Christmas period. The National Insurance Increase and other elements were covered in the Main Council activities, however they are not covered in the contracted activities. Therefore the combination of the rise in National Insurance Contribution and the rise in Living Wage may take up a large percentage of that.

Laurence Jones, Strategic Director for Social Care and Education added that we as a Council would need to work through and there were also significant programmes to reduce the levels of growth, which would give some flexibility in which the Council were overdelivering in this year already. In terms of balancing the budget more widely, certain levers could be pulled. The Council would need to wait for the Settlement details and further communications on what it means in terms of social care.

86. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

The Monitoring Officer noted that none had been received.

87. PETITIONS

The Monitoring Officer noted that none had been received.

88. LEICESTER SAFEGUARDING ADULTS BOARD ANNUAL REPORT

The Director for Adult Social Care submitted a report providing the Commission with an overview of performance data analysed through the lens of ethnicity together with the key findings.

The Independent Chair of the Leicestershire and Rutland Safeguarding Adults Board gave an overview of the report. Key points noted:

- There was a joint board consisting of Leicester City, Leicestershire and Rutland. Leicester City had its own annual report and Leicestershire & Rutland produced an annual report. The strategic plan encompassed all three areas.
- The Chair was independently appointed and part of the role was to ensure safeguarding compliance within the partnership, whilst also providing an element of support.
- A subgroup cultivating the board, provided a further element, which was more localised to Leicester City. Leicestershire & Rutland had were updated on the subgroups work.
- The Care Act of 2014 had introduced three requirements which were being adhered to, these were:
  1. To have a Strategic plan
  2. To report annually to the public
  3. To review cases where serious incidents or deaths have occurred (with a particular focus on multi-agency communications.)
- Strategic priorities were set out and there were also annual business plan priorities which were dependent on local matters.
- There was a keen focus on the Mental Capacity Act.
- Everyday staffing compliance and daily issues such as abuse and neglect were also core priorities. It was noted that data on self-neglect was a problematic area, partly due to the breadth of scope.
- In the previous year, there were concerns of over representation for the white community with safeguarding concerns and enquiries. There was a need to ensure marginalisation didn't occur.
- Some of the work had been surrounding the high number of care home alerts and it was acknowledged that some communities tended not to use care homes.

In response to questions and comments from Members, it was noted that:

- Regarding public health data on suicide, the Case Review Group could examine whether failures had left the person exposed. Coroners would prioritise investigations into safeguarding. Suicide victims may or may not have interacted with social care.
- Two male suicide cases were reviewed by the subgroup, involving one Black individual and one White individual. The subgroup concluded that

both cases were reviewed consistently and in accordance with the same procedures. Significant work had been completed to ensure all communities had access to safeguarding services. This had possibly lead to an increase in referrals from ethnic groups who may not have made previous contact. It was also possible that data interrogation styles could also affect the statistical presentation. More work was required to delve into data and to investigate how best to meet the needs of all communities.

- It was recognised that professionals could feel uneasy about making safeguarding referrals. Groups wanting to raise awareness had access to resources such as the website short videos which could be used with organisations to raise awareness. The Making It Real organisation had produced a leaflet on recognising safeguarding issues which included contact points.
  It was noted that a nuanced approach should be adopted for organisations ensuring that referrals were raised appropriately.
- In terms of benchmarking with other cities, the Safeguarding Return took review took place annually as part of the National Data Set. A subgroup could then analyse the data.
- Regarding promoting the Safeguarding campaign within the media, the National Safeguarding Week was to follow the next week. There would be training, learning events and radio interviews taking place.

AGREED:

1. That the Commission note the report.
2. Self-neglect would remain on the work programme.
3. The Leaflet produced by the Making It Real Organisation would be shared with Members of the Commission.

89. UNDERSTANDING EQUITY IN ADULT SOCIAL CARE (A DEEP DIVE INTO RACE EQUITY)

Councillor Russell, Deputy City Mayor for Social Care, Health and Community Safety introduced the item. She noted that the purpose of the report was to understand the data, to help the commission understand collectively what questions needed to be further explored and answered by analysing the data.

The Director of Adult Social Care and Safeguarding presented the report. It was noted that:

- The report used Quarter 2 data from last year in Adult Social Care to explore what data looks like through the lens of ethnicity to promote discussion and better understand why we see variation.
- White, Black and Dual Heritage working age adults were disproportionately more likely to be the subject of a contact. Asian working age adults are less likely to be the subject of a contact. This

reflects professional bias that may influence professionals that refer people to Adult Social Care, rather than bias in Council Staff.

- Adult Social Care assessments have emphasized the importance of reflection on practices. Whilst good, non-discriminatory practice ensures fairness, it could sometimes result in missed opportunities for early intervention, as some individuals present later in their care journey. Outcomes for those accessing short-term support are generally positive, reflecting effective staff practices and responsive services. However, for those requiring long-term support, particularly working-age adults with learning disabilities, individuals aged 55-65 with long-standing unhealthy lifestyles, or those involved in complex safeguarding situations, further analysis is needed.

In response to questions from Members, it was noted that:

- This exercise was conducted twice. First before the Census data was published and then repeated afterward to incorporate the most up to date public data. Quarter two data was used in the report because it represented the first full four quarters of data available after the Census information was received.
- This was the first time a deep dive had been done into the data, and the lens of ethnicity was chosen. Other key areas could be explored such as Gender and Life Expectancy.

Agreed:

1. Members note the report.
2. If data can be supplied to understand Race Equity for Looked After Children and their Care Experience.
3. An item on loneliness be added to the work programme.

90. SUPPORT FOR CARERS

The Deputy City Mayor Deputy City Mayor - Social Care, Health, and Community Safety introduced the item, acknowledging the vital work of carers and the problematic area of carer identification.

The Director for Adult Social Care submitted a report on Support for Carers. It was noted that:

- The report provided an overview of some of the Commissioning and Social Care work undertaken.
- There was a commissioned Carer Support Service together with funding from central government with a scope to examine carer support.
- There had been around six hundred carer assessments, the numbers of which had steadily increased annually. As a result, there had been further access to information and guidance.

- There was a Commission of Carer Support Service which was ran by Age UK providing additional care such as respite support and personal assistants.
- Over the last three years, support had been provided to approximately three thousand carers which equated to around 12% of the identified carers within Leicester City. (There were separate figures for carers under the age of 18.)
- The Parents Support Service provided various help including information and guidance around carer benefits, accessing the Carer Passport and carer drop in sessions and peer support groups.
- The majority of carers supported by Age UK were female and tended to be in the higher age groups. It was acknowledged that carers of younger age might be less likely to seek support from Age UK.
- When first coming to the Carer Support Services, carers self-assessed their own confidence in being a carer and how well equipped they felt. This was then reassessed after three months with an outcome rate of 90-100% improvement.
- The Accelerating Reform Fund had been received from central government in January 2024. This could help families with contingency planning and matters such as carer aid for hospital discharge.
- The Leading Better Lives project had been effective in identifying carers.

In response to questions and comments from Members, it was noted that:

- At the close of the previous financial year, 26,000 unpaid carers had been identified in Leicester City. As of 1st October 2024 there were 11 people awaiting carer's assessments. Further work was still required to enable people to identify as carers and seek assistance.
- It could be problematic to register as a carer if you did not use the same GP Surgery as the person cared for. The Carer Passport would be useful for this situation.
- The Carers Support Service provided a 'voice' for carers. Significant work had taken place in developing the Carer Strategy. Further engagement work would continue.
- It was acknowledged that carers would not necessarily be paid and there was a wide network of unpaid carers to consider. Work was ongoing with contingency planning and with a promotion event in the voluntary sector and partners in Health scheduled.

AGREED:

The Commission noted the report

91. WORK PROGRAMME

The Chair reminded Members that should there be any items they wish to be considered for the work programme then to share these with her and the senior governance officer.

92. ANY OTHER URGENT BUSINESS

With there being no further business, the meeting closed at 7.05pm.

Appendix B

Revenue Budget 2025/26

Decision to be taken by: Council

Date of meeting: Draft for 19 February 2025

Lead director: Amy Oliver, Director of Finance

City Mayor

DRAFT

Useful information

- Ward(s) affected: All
- Report author: Catherine Taylor/Mark Noble
- Author contact details: amy.oliver@leicester.gov.uk
- Report version number: 1

1. Purpose

1.1 The purpose of this report is to present the City Mayor's strategy for balancing the budget for the next 3 years and to seek approval to the actual budget for 2025/26. The strategy includes the use of one-off money, additional borrowing to pay for committed capital spending, savings in previously approved capital programmes and reductions in annual service spending. It is designed to ensure we remain financially sustainable until at least 2027/28. Some of the necessary approvals are included in the capital programme report, which is elsewhere on your agenda; the rest are contained in this report.

1.2 Whilst the strategy is intended to keep us sustainable until 2027/28, we will need to make further, deep spending reductions by 2028/29 unless the Government finds sufficient additional resources to rescue the sector from its current plight. The City Mayor will continue to make these points to the Government.

1.3 The proposed budget for 2025/26 is described in this report, subject to any amendments the City Mayor may wish to recommend when he makes a firm proposal to the Council.

2. Summary

2.1 As members will be aware, the medium-term financial outlook is the most severe we have ever known. Like many authorities, we face increasing difficulties in being able to balance our budget. Some authorities have already reached this position and been forced to issue a formal report under section 114 of the Local Government Finance Act 1988. In previous years, we have used a "managed reserves policy", by which specific reserves have been set aside to support budgets and buy us time to make cuts. The available resources for this are rapidly running out.

2.2 The background to this severe outlook is set out in section 4 of this report, as well as actions that have already been taken in response.

2.3 At the time of writing, we do not have the local government finance settlement for 2025/26, so this draft budget report is based on estimates of income. However, previous announcements strongly imply that our estimates are unlikely to change significantly, and therefore we will still have a substantial gap between our annual spending and income. The report will be revised before full Council in February.

2.4 The overarching strategy to ensure financial sustainability is outlined in section 5. It is aimed at maximising one-off resources to buy time, controlling costs in demand led services and making savings to other services. If it succeeds, we will not face a section 114 report in the next 3 years. There are, nonetheless, risks which are set out in paragraph 16. Given the savings we have had to make in the last decade, the task of finding more is becoming increasingly difficult.

2.5 The report proposes a council tax increase of just under 5%, which is the maximum we believe we will be allowed to set without a referendum.

2.6 The medium-term outlook is attached at Appendix 4 and shows the escalating scale of the financial pressures facing the council.

3. **<u>Recommendations</u>**

3.1 Council is recommended to:

(a) approve the three year budget strategy described in this report;

(b) approve the proposed budget and council tax for 2025/26, including the recommendations in the formal budget resolution, subject to any changes proposed by the City Mayor when he makes his final proposal to the Council;

(c) approve the budget ceilings for each service, drafts of which are shown at Appendix 1 to this report;

(d) approve the scheme of virement described in Appendix 2 to this report;

(e) approve the use of the £90m capital fund to support the revenue budget strategy (dependent on decisions taken in respect of the capital programme for 2025/26, which is elsewhere on your agenda);

(f) approve the changes to earmarked reserves to support the overall strategy as described in Appendix 5;

(g) note my view on the adequacy of reserves and the estimates used in preparing the budget;

(h) note the equality implications arising from the proposed tax increase, as described in paragraph 15 and Appendix 3;

(i) note the medium-term financial strategy and forecasts presented at Appendix 4, and the significant financial challenges that lie ahead;

(j) approve the capital receipts flexibility policy at Appendix 7.

3.2 In relation to Council Tax on empty properties, Council will be recommended to approve the premiums and discounts outlined in Appendix 6 (to follow).

4. Background

4.1 The background to our financial predicament is:

(a) a "decade of austerity" between 2010 and 2020 in which services other than social care had to be reduced by 53% in real terms. This has substantially reduced the scope to make further cuts;

(b) the covid-19 pandemic where we set "stop gap" budgets whilst we dealt with the immediate emergency. Budgets in 2021/22 to 2022/23 were therefore supported by reserves;

(c) recent cost pressures, shared by authorities across the country. These include pressures on the costs of children that are looked after and support for homeless households, as well as the long-standing pressures in adult social care and the hike in inflation after the invasion of Ukraine. The budgets for 2023/24 and 2024/25 were supported by a further £34m and £61m of reserves respectively;

(d) an anticipated new round of funding constraint. This was implied by the former Government's spending plans; plans published by the new Government in the Chancellor's October budget also imply unprotected services such as local government will be subject to restraint (although we won't get detail about the position for 2026/27 and 2027/28 until spring 2025);

4.2 The previous Government's chosen measure of a council's ability to spend was "core spending power" which has, in fact, recently been increasing faster than inflation. It is not, however, increasing as fast as spending need. Core spending power increased by £29.1m in 2024/25 (8.1%); £71.5m of pressures were built into the budget.

4.3 Core spending power is not the same as Government grant funding. Most is raised locally, through council tax and business rates. Only a small element consists of government grant.

4.4 It is worth commenting that the previous Government's "fair funding" review of grant allocation was continuously delayed, and leaves us to provide services to a population far in excess of our last needs assessment (population has grown faster than elsewhere in the country, so an equitable system would ought to give us a greater share of the national pot). The new Government has promised to complete a review in time for the 2026/27 finance settlement, although full implementation is expected to take several years.

4.5 The Council has already made substantial cost savings since 2010/11. Decisions we have already made include:

(a) reducing senior management numbers (including the post of Chief Executive) by 45, saving over £5m per year;
(b) investing in environmentally efficient street-lights, saving over £1m per year;
(c) closure of the Council's 8 elderly persons' homes, saving over £3m per year;
(d) saving £1.5m per year from parks and open spaces, including a reduction in maintenance frequency and sale of some sites;
(e) a 50% reduction in the youth budget;
(f) remodelling children's early help, closing or transferring 11 buildings, saving £3.5m per year;
(g) reduction in opening hours of libraries, relocation of libraries with the least use, and cessation of the library minibus service;
(h) a rolling programme of closures and transfers of community centres;
(i) increases in car parking and leisure centre charges; and
(j) introduction of bus lane enforcement.

4.6 Since 2010/11, some 2,000 staff have been made redundant, largely as a consequence of spending cuts.

4.7 The overall impact of changes between 2010/11 and 2020/21 (the decade of austerity), and then subsequently, can be seen from the tables below:

Budgeted Spending in cash terms	**2010/11** £m	**2020/21** £m	**2024/25** £m
Spending on children's and adults' social care	128.5	197.2	295.8
Spending on other services	192.3	108.7	157.0
Centrally held budgets	37.2	10.1	11.2
TOTAL	**358.0**	**316.0**	**464.0**

*Budgeted Spending in real terms**	**2010/11** £m	**2020/21** £m	**2024/25** £m
Spending on other services	282.7	132.3	157.0
Cumulative Cuts since 2020/21		**53.2%**	**44.5%**

*Prices updated using CPIH indices

4.8 Whilst spending on other services has increased since 2020/21, in no small part due to pressures on the homelessness service, it is important to recognize that this additional spending has had to be funded from our own reserves. Minimal reserves were used in 2010/11 or 2020/21. **Without the £61m reserves budgeted for use in 24/25, funding available for other services would have fallen to £96m, a real terms cut of two thirds since 2010/11.**

4.9 We have reached a stage where any further cuts are bound to be painful and leave discretionary services stretched to the limit. This is what we are now compelled to contemplate.

5. Financial Strategy for 2025/26 to 2027/28

5.1 As noted above, the medium-term financial outlook is the most severe we have ever known.

5.2 The budget approved by the Council in February contained the following projections of income and expenditure:

	2024/25 £m	**2025/26 £m**	**2026/27 £m**
Expenditure	429.0	462.3	490.7
Minus income	(368.0)	(371.9)	(378.8)
Budget gap	**61.0**	**90.4**	**111.9**

5.3 The previous Government did not publish any spending plans for periods beyond 2024/25, so the figures for 2025/26 and 2026/27 were necessarily based on assumptions. The new Government published its budget on 30th October, which contained an aggregate spending total for local government in 2025/26 and total figures for all public spending in 2026/27 and 2027/28. Our local figures for 2025/26 will not be available until shortly before Christmas. The new government is expecting to publish more detailed 3 year plans in spring, but the indications are that there will be modest additional support for deprived local authorities in 2025/26, and continuation of spending restraint in 2026/27 and beyond. It is unlikely that we will see the substantial additional support we require from the Government in the next 3 years. Indeed, the Government itself has stated (28/11/24): "*Our fiscal inheritance means that there will be tough choices on all sides to get us back on the path to recovery, and it will take time. There is no magic wand. It will be a long, hard slog to work with councils to rebuild from the ground up, to deliver the services taxpayers need and deserve*."

5.4 Past budgets have been supported by our "managed reserves strategy" under which we planned permanent reductions and used reserves to buy time, avoiding crisis cuts. More recently, the amount of reserves required to balance the budget has grown significantly so that £61m was required to balance 2024/25 when we set the budget in February.

5.5 Like many authorities, we face the real prospect of not being able to balance our budget in future years, necessitating a formal report under section 114 of the

Local Government Finance Act 1988. If such a report is issued, we run the risk of Government intervention with the running of the Council being effectively determined in Whitehall.

5.6 The size of the problem is so severe that bridging the gap in one year is an impossibility. The proposed strategy is therefore as follows:

(a) **Strand One** - Releasing one off monies of £110m to buy time:

- All the Council's earmarked reserves have been reviewed, and it is recommended to release £20.3m on the basis that maintaining the Council's solvency takes precedence over most of the reasons for which money has previously been set aside.
- (As described in the capital programme report elsewhere on your agenda) it is proposed to release a £90m revenue reserve held to support capital (the "capital fund"). This, however, will leave a gap in the funding for previously approved capital schemes, requiring borrowing to fill it.

(b) **Strand Two** – Reductions of £13m in the approved capital programme, as described in the capital programme report, which will reduce the borrowing required. The additional borrowing will nonetheless increase the size of the annual budget gap by an estimated £5m per year from 2026/27 (in effect, we would be borrowing money to provide short term support to the revenue budget, which can only considered because the situation is so dire);

(c) **Strand Three** - Embark on an ambitious programme to sell property, with the aim of securing an additional £60m of one-off monies. The receipts cannot be used to support the revenue budget without permission from the Secretary of State (such permissions are being used by the Government as a tool to deal with immediate budget challenges). Current projections suggest that we will need to seek consent before 2027/28. This is further discussed at para. 14 below. **The Government will expect a credible savings plan before a permission will be granted**;

(d) **Strand Four** – Continue taking steps to constrain growth in those statutory services that are under demand led pressure (i.e. adult and children's social care services, and homelessness). As a consequence of work already done, the budget for social care services in 2025/26 is forecast to be over £20m less than envisaged in February;

(e) **Strand Five** - Make ongoing savings to the revenue budget of £20m per year. Expected savings have been built into the budget ceilings for each department. Further savings of £2.4m per year will be achieved if Council approves a proposed new council tax support scheme in January. These savings do not come close to balancing the budget on a recurrent basis. **The level to be achieved has been deliberately set at a low level to provide scope to respond to Government plans as they emerge.** Nevertheless, we still expect to have to make considerable additional savings after the three year plan has expired.

5.7 If successful, implementation of the strategy would result in revised budget projections of:

	2025/26 £m	**2026/27** £m	**2027/28** £m
Expenditure	429.5	459.0	495.8
Plus prudential borrowing costs:			
- to release the capital fund	3.0	5.0	5.0
- for the 2025/26 capital programme	1.4	2.5	2.6
Minus income	(387.2)	(400.1)	(413.5)
Equals Recurring Budget Gap	**46.7**	**66.4**	**89.9**

Revised projections of reserves are:

	2025/26 £m	**2026/27** £m	**2027/28** £m
At the beginning of the year	**53.5**	**123.1**	**56.7**
Plus earmarked reserves	20.3		
Plus capital fund	90.0		
Plus capital receipts (if permission granted)			60.0
Other	6.0		
Minus budget gap	(46.7)	(66.4)	(89.9)
At the end of the year	**123.1**	**56.7**	**26.8**

5.8 Detailed medium term forecasts are provided at Appendix 4. Members are asked to note that forecasts assume the Council will continue to set the maximum council tax permitted by the Government’s referendum rules – currently assumed to be 3% from 2026/27.

5.9 Clearly, as expenditure will continue to exceed income, further action will be needed to balance the budget in 2028/29 unless the Government has provided substantial additional resources by that time. Government grant income in 2024/25 was £74.5m. To eliminate the budget gap in 2027/28, all other things being equal, government grant income would need to increase to £180m on current assumptions compared to our forecast of £90m.

6. 2025/26 Budget Overview

6.1 The table below summarises the proposed budget for 2025/26 (projections for a full three-year period are included in the medium-term strategy at Appendix 4):

	2025/26 £m
Expenditure:	
Net service budget (before savings)	447.5
Less savings and cost constraint (see para. 10.4)	(50.9)
Net service budget	***396.6***
Provisions for pay inflation (including 24/25)	14.0
Provisions for other inflation	0.4
Corporate budgets (including capital finance)	7.9
Demographic contingency	2.0
Homelessness provision	11.0
General contingency for risk	2.0
Expenditure total	**433.9**
Income:	
Council tax	165.9
Business rates (including top-up grant)	141.4
Revenue Support Grant	36.2
Social Care Grant	41.7
Other grants	2.0
Income total	**387.2**
Recurring budget gap	**46.7**

7. Construction of the 2025/26 Budget and Council Tax

7.1 By law, the Council's role in budget setting is to determine:

(a) The level of council tax;

(b) The limits on the amount the City Mayor is entitled to spend on any service ("budget ceilings") - proposed budget ceilings are shown at Appendix 1;

7.2 In line with Finance Procedure Rules, the Council must also approve the scheme of virement that controls subsequent changes to these ceilings. The proposed scheme is shown at Appendix 2.

7.3 The budget is based on a proposed Band D tax for 2025/26 of £2,020.85, an increase of just under 5% compared to 2024/25. This is the maximum which will be permitted without a referendum. It is noted that some taxpayers will experience a different increase as a result of changes to the council tax support scheme (if approved).

7.4 The tax levied by the City Council constitutes only part of the tax Leicester citizens have to pay (albeit the major part – 84% in 2024/25). Separate taxes are raised by the Police and Crime Commissioner and the Combined Fire Authority. These are added to the Council's tax, to constitute the total tax charged.

7.5 The actual amounts people will be paying, however, depend upon the valuation band their property is in and their entitlement to any discounts, exemptions or benefit. Almost 80% of properties in the city are in band A or band B, so the tax will be lower than the Band D figure quoted above. The Council also has schemes for mitigating hardship.

7.6 The Police and Crime Commissioner and Combined Fire Authority will set their precepts in February 2025. The formal resolution will set out the precepts issued for 2025/26, together with the total tax payable in the city.

8. **<u>Departmental Budget Ceilings</u>**

8.1 Budget ceilings have been prepared for each service, calculated as follows:

(a) The starting point is last year's budget, subject to any changes made since then which are permitted by the constitution (e.g. virement);

(b) An allowance is made for non-pay inflation on a restricted number of budgets. Our general rule is that no allowance is made, and departments are expected to manage with the same cash sum that they had in the previous year. Exceptions are made for the budgets for independent sector adult social care (2%) and foster care (2%) but as these areas of service are receiving growth funding, an inflation allowance is merely academic (we pay from one pot rather than another). Budgets for the waste PFI contract have been increased by RPI, in line with contract terms.

(c) Unavoidable growth has been built into the budget. This has been mitigated by action that has already been taken to control costs in demand-led areas, as detailed in paragraph 9 below.

(d) Savings being sought, totaling £10.7m in 2025/26, are deducted from budget ceilings. (The expected figure rises to £20.4m by 2027/28).

8.2 The proposed budget ceilings are set out in Appendix 1.

8.3 In recent years, the pay award for local government staff has not been agreed until part way through the financial year. A central provision is held to fund the 2025/26 pay award, forecast at 3%. Additionally, a further £2m has been set aside in a central provision for demographic changes, which will only be released if needed.

8.4 For this draft budget, the provision to fund the 2024/25 pay award agreed in October is still held centrally whilst the impact is being calculated – it will be allocated to budget lines before the final budget is set in February. No adjustment has yet been made for changes to National Insurance Contributions announced at the Autumn Budget statement and due to commence in April 2025: additional funding has been promised by government to meet NI costs relating to our own staff but not those of providers (see paragraph 12 below).

8.5 The role of the Council is to determine the financial envelopes within which services are delivered. Delivering the services within budget is a function of the City Mayor.

9. Constraining Growth in Service Demand (Strand 4 of the Budget Strategy)

9.1 As can be seen from the background section, one of the chief reasons for our budget gap is growth in the costs of statutory services, particularly social care (and, more recently, homelessness), which have outstripped growth in our income.

9.2 The budget for **adult social care** approved in February provided for substantial growth, both in 2024/25 and 2025/26. This can be seen from the following table:

	2024/25 £m	**2025/26** £m
Underlying budget	155.9	155.9
Growth	17.5	34.4
TOTAL	**173.4**	**190.3**

9.3 Growth in the cost of adult social care arises from growth in the numbers of people needing support (who can be older or working age people), together with cost increases arising from increased packages of support to those already receiving care. The budget also included an additional “demographic contingency” of £8m per year to cater for volatility of demand – not exclusively for adult care.

9.4 The department has embarked on a comprehensive savings delivery programme, coupled with enhanced operational control mechanisms. Underlying the programme are measures aimed at creating a new culture, with more focus on supporting independent living and less reliance on expensive care packages. The department sought to secure savings of £30m per year by 2025/26, but has succeeded in making savings estimated at £48m. Some of these savings were anticipated when the 2024/25 budget was set; some will reduce the budget further.

9.5 The savings delivery programme includes 4 workstreams:

(a) **Reducing growth in the costs of care** (minimising “double handed” care; reducing reliance on taxis; reducing residential costs to the levels of comparator authorities; finding alternatives to existing low level care packages; increased technology enabled care; new approaches to falls management; reviewing the use of direct payments; and a dedicated team to review the quality and cost of high-cost packages);

(b) **Reducing new entrants, and management of demand** (developing the preventative care offer; enhancing digital support; and reviewing our information and guidance);

(c) **Improving efficiency** (increasing the number of occupational therapy assessments; reducing duplication and overlaps in provision of care; and increasing capacity to manage overdue reviews of clients' needs);

(d) **Partnership working** (addressing imbalances between LCC & NHS contributions to packages of care; retendering the model of delivery of the Approved Mental Health Practitioner service; more effectively supporting transitions from childhood to adulthood; and advertising the passenger transport fleet to generate income).

9.6 Tightening operational control mechanisms include:

(a) **Better management of the commissioning cycle** from initial needs analysis through to market management, procurement and ultimately contract management;

(b) new tools and mechanisms for **improving social work practice**, in order to prioritise alternatives to care packages and to ensure consistency of approach.

9.7 Whilst it is difficult to say which changes have resulted in the majority of savings (which would involve asking the counter factual question of what would have happened if they hadn't been made) it is believed that tightening operational control mechanisms has been the most significant contributor.

9.8 An external review was commissioned from Catherine Underwood, former strategic director of people at Nottingham City Council. The review provides assurance that Adult Social Care are optimising opportunities for cost reductions.

9.9 The department has made savings over and above those expected last February of:

	£m
2024/25	17.1
2025/26	22.5

9.10 The budget provides for cost increases expected as a consequence of the Autumn budget, particularly the increase in providers' NI costs. The Government has now been very clear that they will not reimburse any additional NI costs other than those of our direct employees.

9.11 The table below shows the ASC budget for 2025/26 as it is now, compared with the expectation when we set the budget for 2024/25:

	Estimate in Feb. 2024 (£m)	**Now (£m)**	**Change (£m)**
ASC budget	190.3	177.6	
Contingency (also available for children's care)	8.0	2.0	
TOTAL	**198.3**	**179.6**	**18.7**

9.12 The budget for **Education and Children's Services** approved in February also provided for cost growth, both in 2024/25 and 2025/26. This can be seen from the following table:

	2024/25 £m	**2025/26** £m
Underlying budget (including SEN transport)	98.1	98.1
Growth	17.5	21.1
TOTAL	**115.6**	**119.2**

9.13 The budget reflected growth in the cost of children's care placements in 2023/24 and assumed further cost growth in 2024/25 and beyond. The majority of the increase reflects growth in the number of extremely high-cost individual residential placements rather than an increase in numbers per se. This can be seen in the average cost of a placement:

(a) In the 4 years from 2019/20 to 2022/23, average costs for new entrants reduced from £44,000 to £40,000.

(b) In 2023/24, average new entrant costs rose to £78,000 per annum.

9.14 The total budget assumed completion of work to deliver early help differently (including the outcome of a children's centres consultation, a youth services resource review, and mental health post reductions). This work is on course to save £2m per year.

9.15 Action continues to take place to reduce placement costs:

(a) Work is taking place to develop a **placement strategy**. There is no indication that the Council is an outlier in the number of children in the care system, or in the weekly cost – rather, high cost is an indicator of a broken market with a small number of large providers making profits significantly higher than would be the case if the market was working well. Work will take place to secure sufficiency of supply which will seek alternatives to the current suppliers. Work will also take place to address a perceived shortfall in contributions to placement costs received from the NHS;

(b) Work is taking place to reduce our reliance on **agency social workers** by developing multi-disciplinary teams (where staff who are not registered can play a greater role); implementing plans to grow our own social workers; and improving what we can offer to social workers joining the council (improving conditions and professional development opportunities).

9.16 The department has made savings in the costs of children's care (compared to last year's of expectations) of:

	£m
2025/26	2.4
2026/27	1.4

9.17 The delivery of savings in social care will be monitored through a suite of management information dashboards, which can also be shared with the scrutiny function. We are already seeing results in 2024/25 with reductions in average placement costs.

9.18 Work has also taken place to reduce pressure on budgets for **transport** of children with education, health and care plans, including proposals to change the policy for post 16 children (subject to consultation) and to encourage the use of personal transport plans. Demand for transport is already falling for post 16 children, but costs and demand continues to rise for other children. A pressure of £0.8m is built in to the 2025/26 budget, rising to £1.8m by 2027/28.

9.19 A further increase to the budget of £1m per year has been made in respect of other pressures – legacy costs from the city catering service and cost pressures in the disabled children's service.

9.20 As a consequence of the above measures, the demographic contingency has been reduced to £2m per year. This does carry some risk in the event of an unexpected rise in demand.

9.21 The budget for **homelessness** is under severe pressure due to increased numbers of households presenting as homeless. This national issue arises from a shortage in the availability of affordable housing, compounded by housing benefit not having kept pace with rising rents, and the impact of the previous Government accelerating asylum decisions. The Council has invested in new housing in order to provide better (and cheaper) alternatives to hotel accommodation; nonetheless we are currently estimating that growth of £11m will be required in the 2025/26 budget. Nonetheless, activity to date is estimated to have avoided £45m of additional cost by 2027/28.

10. <u>Savings Programme (Strand Five of the Strategy)</u>

10.1 The strategy will require achievement of savings totalling £23m by 2027/28:

	2025/26 £m	2026/27 £m	Full Year £m
Departmental savings	10.7	18.8	20.4
Council Tax Support Scheme*	2.2	2.2	2.4
TOTAL SAVINGS	12.9	21.0	22.8

*The proposal to save £2.4m per year from the current council tax support scheme was the subject of a public consultation which closed on 10th November. This will lead to a full Council report in January. Its effect, if we go ahead as proposed, would be to increase our total council tax income.

10.2 The departmental savings can be achieved from efficiency savings and income generation which directors can action under delegated authority (indeed it is believed a significant proportion can be found in this way); or following an Executive decision on conclusion of a service review. Service reviews may require a public consultation in some cases.

10.3 The budget ceilings at Appendix 1 include the reductions implied by these savings. The savings required are summarised in the table below:

	2025/26 £m	2026/27 £m	Full Year £m
Estates & Building Services	2.3	2.8	2.8
Housing	0.7	1.0	1.0
Neighbourhoods & Environmental Services	3.0	6.7	7.2
Planning, Development and Transportation	1.9	3.9	4.0
Tourism, Culture & Inward Investment	1.5	1.9	2.3
Corporate Services	0.9	1.6	2.0

Financial Services	0.4	0.9	1.1
TOTAL	**10.7**	**18.8**	**20.4**

10.4 It is worth noting the scale of savings activity which has taken place since the budget was set in February. This can be seen in the table below:

	2025/26 £m	2026/27 £m	2027/28 £m
Savings in provisions for cost growth in Adult Social Care	22.5	22.5	22.5
Reductions in amount required for unbudgeted growth in social Care	6.0	6.0	6.0
Reduction in provisions for cost growth in children's placements	2.4	1.4	1.4
Cost reduction measures in homelessness services	6.0	27.0	45.0
Savings approved prior to this report	1.1	1.1	1.2
Savings proposed in council tax support	2.2	2.2	2.4
Savings proposed in this report	10.7	18.8	20.4
TOTAL	**50.9**	**79.0**	**98.9**

11. Corporately held Budgets and Provisions

11.1 In addition to the services' budget ceilings, some budgets are held corporately. These are described below.

11.2 A provision has been set aside for **pay awards**. The 2024/25 pay award has now been agreed, and this provision will be distributed to service departments before the final budget is set in February.

11.3 The budget for **capital financing** represents the cost of interest and debt repayment on past years' capital spending, less interest received on balances held by the council. The net budget has improved recently due to increasing interest rates leading to better returns on balances (while the majority of our borrowing is on fixed rates and is not affected by interest rate variations in the short term). As we spend our reserves, however, interest on balances will fall and we will need to borrow money. Decisions to borrow money to fund capital expenditure (elsewhere on your agenda) have led to an increase in the budget (£5m in a full year through refinancing the 2024/25 programme to release the capital fund; £2.6m to fund the 2025/26 capital programme).

11.4 **Miscellaneous central budgets** include external audit fees, pension costs of some former staff, levy payments to the Environment Agency, bank charges, general insurance costs, money set aside to assist council taxpayers suffering hardship and other sums it is not appropriate to include in service budgets. £0.25m has been added to the budget for discretionary council tax relief in 2025/26 and 2026/27, to help mitigate the impact on those whose support will decrease. Miscellaneous central budgets are partially offset by the effect of recharges from the general fund into other statutory accounts of the Council.

11.5 A contingency has been set aside for **demographic pressures,** which will be allocated only if necessary.

12. Resources

12.1 The majority of the council's core funding comes from business rates; government grant funding; and council tax. Service-specific sources of funding, such as fees & charges and specific grants, are credited to the relevant budget ceilings, and are part of departmental budgets.

12.2 At the time of writing this report, we have only limited information about government funding expected in 2025/26, and this draft budget is necessarily based on an estimate. The provisional settlement, which will give us figures for the major funding streams, is expected shortly before Christmas.

12.3 Resource estimates in this draft budget are based on assumptions from the government's Autumn Statement. Key assumptions include:

- Additional funding will be received to meet the cost of changes to National Insurance Contribution in respect of our own staff;
- Additional Social Care grant funding of £5m per year is received;
- Other funding streams remain largely unchanged.

Business rates and core grant funding

12.4 Local government retains 50% of business rates collected locally, with the balance being paid to central government. In recognition of the fact that different authorities' ability to raise rates do not correspond to needs, there are additional elements of the business rates retention scheme: a top-up to local business rates, paid to authorities with lower taxbases, and Revenue Support Grant (RSG).

12.5 Government decisions in recent years have reduced the amount of rates collected from businesses, by limiting annual increases in the multiplier used to calculate rates and by introducing reliefs for various classes of business. The government's practice is to compensate authorities for lost income due to changes to the scheme. So many changes have been made in recent years that by 2023/24 compensation made up around a third of the "rates" income received by the Council. The complexity of these changes, and the fact that a single ratepayer may be affected by several overlapping changes, makes it difficult to accurately estimate rates income; the estimates in this draft report are the best we can make at present. In practice, we believe that the system of business rates is becoming unsustainable in its current form.

12.6 The figures in the budget assume no significant growth or decline in “rates” from the current position, apart from inflationary increases. The largest element of uncertainty in the forecasts relates to the impact of appeals by businesses against the ratable values determined by the Valuation Office.

Council tax

12.7 Council tax income is estimated at £166m in 2025/26, based on an assumed tax increase of just below 5% (the maximum we believe will be allowed to set without a referendum). The 5% limit will include a “social care levy” of 2%, designed to help social care authorities mitigate the growing costs of social care. Since our tax base is relatively low for the size of population, the levy raises just £3m per year.

12.8 The estimated council tax base has remained largely flat since last year’s budget; this appears to be the result of slower housebuilding numbers, and a growing number of exempt properties (mostly student accommodation).

12.9 The budget includes the impact of extended council tax premiums on long-term empty and second homes, as set out in Appendix 6. This report seeks approval for a change to second homes premia such that unfurnished empty properties will be subject to the premium as soon as they become empty, rather than after a month’s grace period (this brings them into line with furnished properties, and – to the extent that it doesn’t have the hoped for impact of speeding up the turnaround of properties – should raise an estimated £0.6m per year). A change is also sought in respect of charges for empty, furnished properties (“second homes”) to reflect guidance received from the Government in November 2024.

12.10 If the Council makes a decision to change the council tax support scheme in January, the amount of support awarded will reduce. This is reflected in an estimated additional £2.4m of council tax income.

Other grants

12.11 The majority of grant funding is treated as income to the relevant service departments and is not shown separately in the table at paragraph 6. The most substantial grant held corporately is the **Social Care Grant**, which has been provided each year since 2016/17 to reflect national cost and demographic pressures. It has been increased several times since 2016 and is now a significant amount. In 2024/25, our share of this funding was £36.7m; a further increase is expected, but has not yet been announced for the 2025/26 financial year.

12.12 The majority of other funding streams in previous budgets, including the New Homes Bonus and Services Grant, have been sharply cut in recent years. There is no clarity on the future of these funding streams, and no income has been assumed for 2025/26.

Other corporate income

12.13 From 2025/26, a new funding stream relating to Extended Producer Responsibility (EPR) for waste packaging is expected. At the time of writing, no information was available other than a national estimate of income amounting to £1bn. No information was available on additional costs likely to be incurred. An estimate of £2m per year (net income) has been included in this draft budget. More information has been received from Defra on 30th November, which we are still assessing. Regardless of the position, we expect waste costs to increase by up to £3m per year when there is a new contract in May 2028.

Collection Fund surplus / deficit

12.14 Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true.

12.15 The Council has an estimated **council tax collection fund deficit** of £0.6m, after allowing for shares to be paid by the police and fire authorities. This largely relates to numbers of exempt properties being higher than expected when the budget was set.

12.16 The Council has an estimated **business rates collection fund surplus** of £0.8m. Because of changes to reliefs in recent years that were funded by government grants, the actual collection fund position is distorted and various technical accounting adjustments (that will balance out over the years) are required.

13. Earmarked Reserves (Strand One of the Financial Strategy)

13.1 Earmarked reserves have been set aside for specific purposes by departments. These have been reviewed, with the aim of maximising resources for the budget strategy by diverting reserves where there is no immediate need for the money, or a commitment to a third party. Appendix 5 shows the outcome of the review, which will increase resources for the strategy by £20.3m. This report includes a recommendation to put these changes into place.

14. One-Off Resources (Strands One and Three of the Financial Strategy)

14.1 Since 2013, the Council has employed a managed reserves strategy, contributing money to reserves when savings are realised and drawing down reserves when needed. This policy bought time to more fully consider how to make the cuts which have been necessary in nearly every budget year.

14.2 In the last few years, the amount of reserves required to balance the budget has grown significantly so that £61m was required to balance 2024/25 when we set the budget (although ongoing work to control costs and identify savings has since reduced this figure).

14.3 The forecast amount available at 1st April 2025 is £53.5m. The review of earmarked reserves is contributing a further £20.3m, and the capital programme report for 2025/26 (elsewhere on your agenda) proposes to release a further £90m (**strand one**).

14.4 It is intended to further increase our one off money by selling property (**strand three**). Monies received from property sales are capital receipts, and can normally only be used for capital expenditure, or to repay debt. They cannot be used to support the revenue budget. However, the Secretary of State has power to give directions such that capital receipts can be used to support the revenue budget. The Government is using directions as a tool to deal with the most pressing budget problems in local government, and informal discussions have taken place with civil servants – we will not be seeking a direction just yet, but this does not prevent us from selling property now (we will be able to use the receipts once we have the direction).

14.5 **The Secretary of State will not give a direction unless we have a credible savings programme.** We may be advised that further savings are required, over and above those anticipated in the current plan.

14.6 A sales programme has been identified, focussed on assets with a ready market, with low public impact, low strategic importance and which currently secure low returns. We are seeking to achieve £60m (net of costs of sale).

14.7 The total use of one off money to support the budget strategy is shown at paragraph 5 above, and at Appendix 4.

14.8 The Secretary of State has issued a general permission to all authorities enabling them to capitalise revenue expenditure which generates savings (this is quite separate from the £60m). A condition of using it is the submission of a strategy, a draft of which is included at Appendix 7 for your approval. This is not factored into our financial strategy, and would not increase our overall resources, but is another tool we could use to increase our options.

14.9 The Council has long held a £15m minimum working balance of reserves. This remains available as a "last resort" to fund future budget shortfalls.

15. Budget and Equalities (Surinder Singh, Equalities Officer)

15.1 The Council is committed to promoting equality of opportunity for its residents; both through its policies aimed at reducing inequality of outcomes, and through its practices aimed at ensuring fair treatment for all and the provision of appropriate and culturally sensitive services that meet local people's needs.

15.2 In accordance with section 149 of the Equality Act 2010, the Council must "have due regard", when making decisions, to the need to meet the following aims of our Public Sector Equality Duty :-

(a) eliminate unlawful discrimination;

(b) advance equality of opportunity between those who share a protected characteristic and those who do not;

(c) foster good relations between those who share a protected characteristic and those who do not.

15.3 Protected groups under the public sector equality duty are characterised by age, disability, gender reassignment, pregnancy/maternity, race, religion or belief, sex and sexual orientation.

15.4 When making decisions, the Council (or decision maker, such as the City Mayor) must be clear about any equalities implications of the course of action proposed. In doing so, it must consider the likely impact on those likely to be affected by the recommendation; their protected characteristics; and (where negative impacts are anticipated) mitigating actions that can be taken to reduce or remove that negative impact.

15.5 The budget does not propose any service changes which will have an impact on residents. Where appropriate, an individual equalities impact assessment for any service changes will be undertaken when these decisions are developed.

15.6 The budget does recommend a proposed council tax increase for the city's residents. The City Council's proposed tax for 2025/26 is £2,020.85, an increase of just below 5% compared to 2024/25. As the recommended increase could have an impact on those required to pay it, an assessment has been carried out to inform decision makers of the potential equalities implications. This includes the potential impacts of alternative options.

15.7 A number of risks to the budget are addressed within this report (section 16 below). If these risks are not mitigated effectively, there could be a disproportionate impact on people with particular protected characteristics and therefore ongoing consideration of the risks and any potential disproportionate equalities impacts, as well as mitigations to address disproportionate impacts for those with particular protected characteristics, is required.

16. <u>Risk Assessment and Estimates</u>

16.1 Best practice requires me to identify any risks associated with the budget, and Section 25 of the Local Government Act 2003 requires me to report on the adequacy of reserves and the robustness of estimates.

16.2 Assessing the robustness of estimates requires a judgement to be made, which is now hard given the volatility of some elements of the budget. The most significant individual risks are described below.

16.3 Like most (probably all) upper tier authorities, we run the risk of further demand and cost increase in adults' social care and children's placements. Furthermore, the cost of SEN transport is met from the General Fund and has been under pressure due to increasing numbers of children with education, health and care plans; and prices charged by taxi providers.

16.4 In addition to the above, we have a cumulative overspend of £9.7m on the schools' "high needs" block, which we have not had to write off against general fund reserves due to a special dispensation given by the Government. It is expected to increase to £26m this year. This is a common national issue. The dispensation is time limited, and currently due to expire on 31st March 2026. If this happens, we will have an immediate "hit" on the reserves required for this strategy, though the deadline has previously been extended and the risk of it being allowed to expire does not appear to be high.

16.5 Like many housing authorities, we run the risk of further cost pressures from homelessness. These costs are vulnerable to Government decisions about affordable rents which can be supported from the local housing allowance, national decisions about asylum policy, and continued increases in market rents.

16.6 We are also exposed to any further inflationary cost pressures, which may result from world events.

16.7 Finally, we are at risk if we fail to deliver the savings in this strategy – a key task over the coming months will be to progress these to the point of decision, and then ensure we have robust delivery and monitoring plans. As stated in paragraph 1, even if implemented the plan is only sufficient to balance the budget as far as 2027/28 (on current estimates). Unless the Government finds significant additional money by then, we will face major cuts in subsequent years: at present, we do not have a plan which is sustainable in the long term. If income in excess of our forecasts is received as a consequence of the local government finance settlement, it is not going to fundamentally change our plans. We have a substantial recurrent budget gap, forecast to be £46.7m in 24/25 rising to £90m by 27/28. We are not going to come close to bridging this.

16.8 The Overview Select Committee will clearly play an important role in monitoring the plan. At each stage of monitoring during the year (at periods 3, 6, 9 and the outturn) savings decisions made in the previous quarter will be reported and an update on progress provided. Any areas of concern will be brought to the committee's attention. Individual service scrutiny commissions may wish to receive the same information for their own portfolios.

16.9 It is also worth noting that, because of the key role of one-off monies in this strategy, there is a multiplicative effect of any risks which crystallise into annual cost pressures. For instance, an additional £5m per year of unavoidable cost will, all other things being equal, use £15m of reserves by the end of 2027/28.

16.10 Subject to the above comments, I believe the estimates made in preparing the budget are sufficiently robust to allow the budget to be approved.

16.11 The risks are mitigated in 2025/26 by the substantial level of our reserves, once the capital fund has transferred. This means that for this one year I would regard our reserves as adequate: there is limited risk of being unable to balance the budget in 2025/26 even if reserves are used in substitution for any savings which cannot be made, including those where consultation has provided reasons to pursue alternative courses of action. However, this would make it even more difficult to balance future years of the strategy, and would bring forward the point at which we would have to make further deep cuts. It is noted that there is also a £2m contingency in the 2025/26 budget and an additional contingency for demographic pressures.

16.12 If a departmental savings project fails, we would expect alternative savings to be found from within the overall departmental budget. Under the scheme of virement, the City Mayor is able to increase the relevant budget if this is not perceived to be acceptable at the time.

17. Financial, Legal and Other Implications

17.1 Financial Implications

This report is exclusively concerned with financial issues.

17.2 Legal Implications (Kamal Adatia, City Barrister & Head of Standards)

17.2.1 The budget preparations have been in accordance with the Council's Budget and Policy Framework Procedure Rules – Council's Constitution – Part 4C. The decision with regard to the setting of the Council's budget is a function under the constitution which is the responsibility of the full Council.

17.2.2 At the budget-setting stage, Council is estimating, not determining, what will happen as a means to the end of setting the budget and therefore the council tax. Setting a budget is not the same as deciding what expenditure will be incurred. The Local Government Finance Act, 1992, requires an authority, through the full Council, to calculate the aggregate of various estimated amounts, in order to find the shortfall to which its council tax base has to be applied. The Council can allocate greater or fewer funds than are requested by the Mayor in his proposed budget.

17.2.3 As well as detailing the recommended council tax increase for 2025/26, the report also complies with the following statutory requirements:-

(a) Robustness of the estimates made for the purposes of the calculations;
(b) Adequacy of reserves;
(c) The requirement to set a balanced budget.

17.2.4 Section 65 of the Local Government Finance Act, 1992, places upon local authorities a duty to consult representatives of non-domestic ratepayers before setting a budget. There are no specific statutory requirements to consult residents.

17.2.5 The discharge of the 'function' of setting a budget triggers the duty in s.149 of the Equality Act, 2010, for the Council to have "due regard" to its public sector equality duties. These are set out in paragraph 15. There are considered to be no specific proposals within this year's budget that could result in new changes of provision that could affect different groups of people sharing protected characteristics. Where savings are anticipated, equality assessments will be prepared as necessary. Directors and the City Mayor have freedom to vary or abort proposals under the scheme of virement where there are unacceptable equality consequences. As a consequence, there are no service-specific 'impact assessments' that accompany the budget. There is no requirement in law to undertake equality impact assessments as the only means to discharge the s.149 duty to have "due regard". The discharge of the duty is not achieved by pointing to one document looking at a snapshot in time, and the report evidences that the Council treats the duty as a live and enduring one. Indeed, case law is clear that undertaking an EIA on an 'envelope-setting' budget is of limited value, and that it is at the point in time when policies are developed which reconfigure services to live within the budgetary constraint when impact is best assessed. However, an analysis of equality impacts has been prepared in respect of the proposed increase in council tax, and this is set out in Appendix 3.

17.2.6 Judicial review is the mechanism by which the lawfulness of Council budget-setting exercises are most likely to be challenged. There is no sensible way to provide an assurance that a process of budget setting has been undertaken in a manner which is immune from challenge. Nevertheless the approach taken with regard to due process and equality impacts is regarded by the City Barrister to be robust in law.

17.3 **<u>Climate Change Implications</u>**

To follow

APPENDIX 1

Budget Ceilings

[to follow]

APPENDIX 2

Scheme of Virement

1. This appendix explains the scheme of virement which will apply to the budget, if it is approved by the Council.

<u>Budget Ceilings</u>

2. Directors are authorised to vire sums within budget ceilings without limit, providing such virement does not give rise to a change of Council policy.

3. Directors are authorised to vire money between any two budget ceilings within their departmental budgets, provided such virement does not give rise to a change of Council policy. The maximum amount by which any budget ceiling can be increased or reduced during the course of a year is £500,000. This money can be vired on a one-off or permanent basis.

4. Directors are responsible, in consultation with the appropriate Assistant Mayor if necessary, for determining whether a proposed virement would give rise to a change of Council policy.

5. Movement of money between budget ceilings is not virement to the extent that it reflects changes in management responsibility for the delivery of services.

6. The City Mayor is authorised to increase or reduce any budget ceiling. The maximum amount by which any budget ceiling can be increased during the course of a year is £5m. Increases or reductions can be carried out on a one-off or permanent basis.

7. The Director of Finance may vire money between budget ceilings where such movements represent changes in accounting policy, or other changes which do not affect the amounts available for service provision. The Director of Finance may vire money between budget ceilings to reflect where the savings (currently shown as summary figures in Appendix One) actually fall.

8. Nothing above requires the City Mayor or any director to spend up to the budget ceiling for any service. At the end of the year, underspends on any budget ceiling shall be applied:

   (a) Firstly, to offset any overspends in the same department;

   (b) Secondly, to the corporate reserve for future budget pressures.

<u>Corporate Budgets</u>

9. The following authorities are granted in respect of corporate budgets:

   (a) the Director of Finance may incur costs for which there is provision in miscellaneous corporate budgets, except that any policy decision requires the approval of the City Mayor;

   (b) the Director of Finance may allocate the provision for pay awards and other inflation;

(c) The City Mayor may determine how the demographic pressures contingency and homelessness provision can be applied.

Earmarked Reserves

10. Earmarked reserves may be created or dissolved by the City Mayor. In creating a reserve, the purpose of the reserve must be clear.

11. Directors may add sums to an earmarked reserve from a budget ceiling, if the purposes of the reserve are within the scope of the service budget.

12. Directors may spend earmarked reserves on the purpose for which they have been created.

13. When an earmarked reserve is dissolved, the City Mayor shall determine the use of any remaining balance.

14. The City Mayor may transfer any sum between earmarked reserves.

Other

15. The City Mayor may amend the flexible use of capital receipts policy, and submit revised policies to the Secretary of State.

Equality Impact Assessment

1. Purpose

1.1 The Council has a legal obligation to set a balanced budget each year. There remains a difficult balance between funding services for those most in need, maintaining support for most vulnerable and the investment required to ensure the effective delivery of universal services. Council Tax is a vital funding stream for the Council to fund essential services. This appendix presents the draft equalities impact of a proposed 4.99% council tax increase.

1.2 The alternative option for comparison is a freeze on council tax at 2024/25 levels. It would of course be possible to set a council tax increase between these two levels, or indeed to *reduce* the Band D tax.

2. Who is affected by the proposal?

2.1 As at October 2024, there were 132,696 properties liable for Council Tax in the city (excluding those registered as exempt, such as student households).

2.2 It is assumed, for the purpose of this draft EIA, that changes to the Council Tax Support Scheme (CTSS) are approved in January. This has been the subject of a separate consultation and equality assessment.

2.3 Under the proposed new CTSS scheme, vulnerable households will be eligible for up to 100% support. Other households will be eligible for up to 75% support, limited to a Band B property.

2.4 Council tax support for pensioner households follows different rules. Low-income pensioners are eligible for up to 100% relief through the CTSS scheme.

3. How are they affected?

3.1 The table below sets out the financial impact of the proposed council tax increase on different properties, before any discounts or reliefs are applied. It shows the weekly increase in each band, and the minimum weekly increase for those in receipt of a reduction under the CTSS for working-age households who are not classed as vulnerable.

3.2 Due to the changes to the CTSS scheme (if approved), this does not show the differences between 2024/25 and proposed 2025/26 amounts payable. It compares the 2025/26 proposed amount payable with the alternative option of a council tax freeze, but assuming the CTSS changes are approved.

Band	No. of Properties	Weekly increase (£)	Minimum Weekly Increase under CTSS (£)
A-	378	1.03	0.26
A	78,159	1.23	0.31
B	26,685	1.44	0.36
C	15,353	1.64	0.56
D	6,552	1.85	0.77
E	3,384	2.26	1.18
F	1,537	2.67	1.59
G	606	3.08	2.00
H	42	3.69	2.61
Total	**132,696**		

3.3 In most cases, the change in council tax (around £1.44 per week for a band B property with no discounts; and just 36p per week if eligible for the maximum 75% reduction for non-vulnerable households under the CTSS) is a small proportion of disposable income, and a small contributor to any squeeze on household budgets. A council tax increase would be applicable to all properties - the increase would not target any one protected group, rather it would be an increase that is applied across the board. However, it is recognised that this may have a more significant impact among households with a low disposable income.

3.4 Households at all levels of income have seen their real-terms income decline in recent years due to cost-of-living increases, and wages that have failed to keep up with inflation; although inflation has fallen more recently. These pressures are not limited to any protected group; however, there is evidence that low-income families spend a greater proportion of their income on food and fuel (where price rises have been highest), and are therefore more affected by price increases.

3.5 A 1.7% uplift to most working-age benefits, in line with inflation, will come into effect from April 2025, while the State Pension and pension-age benefits will increase by 4.1%. The main exceptions are Local Housing Allowance rates which will be maintained at their 2024/25 levels. [NB council and housing association tenants are not affected by this as their rent support is calculated differently and their full rent can be compensated from benefits].

4. **Alternative options**

4.1 The realistic alternative to a 5% council tax increase would be a lower (or no) increase. A reduced tax increase would represent a permanent diminution of our income unless we hold a council tax referendum in a future year. In my view, such a referendum is unlikely to support a higher tax rise. It would also require more cuts to services in later years (on top of the substantial cost savings already required by the budget strategy).

4.2 The budget situation is already extremely difficult, and it seems inevitable that further cuts will have severe effects on front-line services. It is not possible to say precisely where these future cuts would fall; however, certain protected groups (e.g. older people; families with children; and people with disabilities) could face disproportionate impacts from reductions to services.

5. Mitigating actions

5.1 The Council has a range of mitigating actions for residents. These include: funding through the Household Support Fund (now extended until March 2026), Discretionary Housing Payments, direct support through Council Tax Discretionary Relief (which is proposed to increase by 50% from £500,000 to £750,000 from April 2025) and Community Support Grant awards; the council's work with voluntary and community sector organisations to provide food to local people where it is required – through the network of food banks in the city; through schemes which support people getting into work (and include cost reducing initiatives that address high transport costs such as providing recycled bicycles); and through support to social welfare advice services. The "BetterOff Leicester" online tool includes a calculator to help residents to ensure they are receiving all relevant benefits.

6. What protected characteristics are affected?

6.1 The table below describes how each protected characteristic is likely to be affected by the proposed council tax increase. The table sets out anticipated impacts, along with mitigating actions available to reduce negative impacts.

6.2 Some protected characteristics are not, as far as we can tell, disproportionately affected (as will be seen from the table) because there is no evidence to suggest they are affected differently from the population at large. They may, of course, be disadvantaged if they also have other protected characteristics that are likely to be affected, as indicated in the following analysis of impact based on protected characteristic.

7. Armed Forces Covenant Duty

7.1 The Covenant Duty is a legal obligation on certain public bodies to 'have due regard' to the principles of the Covenant and requires decisions about the development and delivery of certain services to be made with conscious consideration of the needs of the Armed Forces community.

7.2 We have considered the duty and have not identified any direct impacts on armed forces or their families; but will continue to monitor for specific proposals.

Analysis of impact based on protected characteristic

Protected characteristic	Impact of proposal:	Risk of negative impact:	Mitigating actions:
Age	Older people (pension age and older) are least affected by a potential increase in council tax and can access more generous (up to 100%) council tax relief. However, in the current financial climate, a lower council tax increase would require even greater cuts to services in due course. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as older people are the primary service users of Adult Social Care. While employment rates remain high, earnings have not kept up with inflation in recent years so working families are likely to already be facing pressures on households' budgets. Younger people, and particularly children, were more likely to be in poverty before the current cost-of-living crisis and this is likely to have continued.	Working age households and families with children – incomes squeezed through reducing real-terms wages.	Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.
Disability	Disabled people are more likely to be in poverty. Many disabled people will be classed as vulnerable in the proposed new CTSS scheme and will therefore be protected from the impact of a council tax increase. However, in the current financial climate, a lower council tax increase would require even greater cuts to services in due course. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as disabled people are more likely to be service users of Adult Social Care.	Further erode quality of life being experienced by disabled people.	The proposed new CTSS scheme has been designed to give additional support (up to 100%) to vulnerable households. It also allows support at the level of the band C tax, rather than band B as applies to non-vulnerable households. Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing budgets.
Gender Reassignment	No disproportionate impact is attributable specifically to this characteristic.		

Protected characteristic	Impact of proposal:	Risk of negative impact:	Mitigating actions:
Pregnancy & Maternity	No disproportionate impact is attributable specifically to this characteristic (although see below for childcare costs; and the impacts on lone parents).		
Race	Those with white backgrounds are disproportionately on low incomes (indices of multiple deprivation) and in receipt of social security benefits. Some ethnic minority people are also low income and on benefits.	Household income being further squeezed through low wages and reducing levels of benefit income.	Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets. Where required, interpretation and translation will be provided to remove barriers in accessing support.
Religion or Belief	No disproportionate impact is attributable specifically to this characteristic.		
Sex	Disproportionate impact on women who tend to manage household budgets and are responsible for childcare costs. Women are disproportionately lone parents, who are more likely to experience poverty.	Incomes squeezed through low wages and reducing levels of benefit income. Increased risk for women as they are more likely to be lone parents.	If in receipt of Universal Credit or tax credits, a significant proportion of childcare costs are met by these sources. Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets.
Sexual Orientation	Gay men and Lesbian women are disproportionately more likely to be in poverty than heterosexual people and trans people even more likely to be in poverty and unemployed. This would mean they are more likely to be on benefits.	Household income being further squeezed through low wages and reducing levels of benefit income.	Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets.

APPENDIX 4

MEDIUM TERM PROJECTIONS

1. Summary Forecasts

The table below shows our central forecasts of the position for the next three years, based on the information we have at the time of writing. As funding allocations for future years have not yet been announced, this is necessarily based on some broad assumptions. A local government finance policy statement was published on 28th November; this is still being analysed and the impacts have not been included in the figures below. It now appears likely that the settlement will be slightly more favourable than our central assumptions below; but a substantial budget gap will remain.

We will receive our local settlement for 2025/26 in December; the projections will be updated for the 2025/26 budget report to Council in February. The position for 2026/27 and 2027/28 is unlikely to become much clearer until the Government's spending review is published in spring. **The forecasts are volatile**, and the key risks are described at paragraph 2 below. In particular, because we are relying on one off money to see us through to 2027/28, a change in annual spending requirement will have a multiplicative effect (e.g. an increase in spending of £5m per year from 2024/25 will lose us £20m from reserves by the end of 2027/28, all other things being equal).

	2025/26 £m	**2026/27 £m**	**2027/28 £m**
Expenditure:			
Net service budget (before savings)	447.5	493.7	540.8
Less savings and cost control (see para. 10.4)	-50.9	-79.0	-98.9
Net service budget	***396.6***	***414.7***	***441.9***
Provisions for pay inflation (including 24/25)	14.0	20.0	26.0
Provisions for other inflation	0.4	0.4	0.9
Corporate budgets (including capital finance)	3.5	5.8	6.9
Plus additional prudential borrowing	4.4	7.5	7.6
Demographic contingency	2.0	2.0	2.0
Homelessness provision	11.0	12.1	12.1
General contingency for risk	2.0	4.0	6.0
Expenditure total	**433.9**	**466.5**	**503.4**
Income:			
Council tax	165.9	172.3	178.5
Business rates (including top-up grant)	141.4	142.8	145.1
Revenue Support Grant	36.2	36.2	36.2
Social Care Grant	41.7	46.7	51.7
Other grants	2.0	2.0	2.0
Income total	**387.2**	**400.1**	**413.5**
Recurring budget gap	**(46.7)**	**(66.4)**	**(89.9)**

Reserves:	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**
Balance forecast on 1st April	**53.5**	**123.1**	**56.7**
Capital Fund transfer	90.0		
Earmarked reserves review	20.3		
Required to balance budget	-46.7	-66.4	-89.9
Proceeds of asset sales			60.0
Other (Business Rates Pool)	6.0		
Balance forecast on 31st March	**123.1**	**56.7**	**26.7**

2. Assumptions and Risks

The assumptions in the forecast, and the inherent risks, are explained below.

Spending	**Assumptions – central scenario**	**Risks**
Pay costs	We assume a pay award averaging 3% each year (in addition to the recently announced award for 2025/26), as general inflation is expected to continue reducing.	Inflation has fallen since its peak of 11.1% in October 2022. It stood at 2.3% in the year to October 2024. Underlying inflation is expected to fall further, although there remains a risk that global events will affect this significantly. Increases in employers' national insurance will add to our pressures, both directly for our own employees and indirectly from our suppliers' prices. The Government intends to reimburse the former in 2025/26 but not the latter. Although energy costs have reduced, a future spike in costs could further impact our budgets.
Non-pay inflation	It is assumed that departments will be able to continue absorbing this. The exceptions are independent sector care package costs, fostering allowances, and the waste management contract; an allowance is built in for these increases.	
Adult social care costs	Demographic pressures and increasing need lead to cost pressures which are reflected in the forecasts. The effect of the mitigation measures is also reflected in the forecasts.	Adult Social Care remains the biggest area of Council expenditure, and is demand led. Small variations have a significant impact on the Council's overall budget. Underlying package costs (before any price increases) are expected to be below the amount assumed when we set the budget for 2024/25.
Other service cost pressures	Contingencies of £2m for demographic growth and £11m for homelessness have been built into the forecasts to provide some cushion against uncertainty. Aside from this, it is assumed that departments are able to find savings to manage cost pressures within their own areas. A planning provision/ contingency of £2.0m has been included for 2025/26 rising to £4.0m by 2026/27 and £6m by 2027/28.	Costs relating to children who are looked after have been increasing nationally, and are a particular risk for future years. Homelessness is also particularly volatile and a significant overspend is forecast in 2024/25. Costs assume the delivery of proposed savings for which delivery plans will be vital. Some are subject to consultation, which may result in a different decision to that currently proposed.
Departmental savings	The budget strategy assumes new savings totalling £23m by 2027/28. See section 10 of the budget report for more details.	Risk that savings are not achieved or are delayed, leading to a greater call on reserves to balance the budget.

Income	Assumptions – central scenario	Risks
Council Tax	Band D Council Tax will increase by 5.0% in 2025/26, then by 3.0% per year, in line with expected referendum limits. Council taxbase (the number of properties that pay tax) will increase by 500 Band D properties per year.	Further economic downturn leading to increased costs of council tax support to residents on a low income. Conversely, we may be permitted to set a higher tax in 2026/27 and 2027/28 – 5% was permitted in recent years for authorities with social care responsibilities. In future years with lower inflation however, it may not be tenable.
Business rates	No significant movements in the underlying baseline for business rates. Government changes to business rates (e.g. new reliefs) will continue to be met by additional government grant, in line with recent years.	We believe that the national business rates system in its current form is becoming unsustainable. The local government business rates retention system is being "patched up" considerably as a result. Long term stability seems unlikely.
Government grant	Government funding allocations continue to remain broadly flat, with little real-terms growth. In the Autumn Budget, the new government has committed to reviewing the distribution of funding "to ensure that it reflects an up- to-date assessment of need and local revenues". We do not yet have details of what this might mean in practice and in practice expect damping of authorities' gains and losses will be required. Our forecast implicitly assumes a broadly neutral effect of any funding distributional changes. We are also assuming that funding is received for the direct costs of National Insurance changes from April 2025, but not for indirect costs that will be passed on to us from suppliers. An additional £5m per year, each year, is assumed for social care. The Autumn Statement announced £600m of new funding nationally but gave no indication of how this will be distributed. Income (net of costs) from the Extended Producer Responsibility for packaging is estimated at £2m per year, until more details are available.	We do not yet have funding allocations for 2025/26 or beyond. The local government finance settlement (which will provide our own figures for 2025/26) will be announced in December and up to date figures will be included in the budget report to Council in February, together with revised assumptions for 2026/27 and 2027/28. Based on government announcements, the settlement may be better than our previous assumptions to a modest extent. The latest government figures imply that unprotected departments will suffer real terms cuts in budgets of 1.4% per year from 2025/26, according to analysis by the Institute for Fiscal Studies. This is smaller than in the previous government's plans, but still significant. Local government may (as has frequently been the case in previous years) be treated less favourably than other unprotected departments. The income, and costs, associated with the new waste packaging scheme are highly unclear.

Appendix 5

Earmarked Reserves

1. As part of the overall budget strategy described at paragraph 5.6 of the main report, all earmarked reserves have been reviewed to release funds where possible. It is recommended that earmarked reserves are consolidated, leaving only the following General Fund reserves set aside for specific purposes:

Description of Reserve(s)	Forecast Balance after spending in 2024/25 (£m)	Notes
Departmental ring fenced resources	2.6	Where conditions attach to original grant funding and other contributions
Partnership funding	10.9	Originating from joint working arrangements (often with the health service). While these may be legally part of our reserve balances, there is a clear expectation that they remain within these projects. Diverting these to other purposes would risk our ongoing relationship with partners.
Insurance Fund	3.8	Meets costs of our self-insured insurance claims. Needs to be sufficient for this purpose and is periodically reviewed by actuaries.
Severance Fund	4.7	Meets staff redundancy and other termination costs
Workforce development	4.0	A new reserve, proposed for investment in the workforce, including trainees and apprentices. Despite the budget crisis (or because of it) it is important that we maintain funds for this.
Service transformation fund	7.0	Likely to play a more prominent role in achieving savings through service modernisation. The review has identified additional funds of £1.8m in view of the scale of change required.
Building Schools for the Future	6.4	To manage lifecycle maintenance costs of the schools redeveloped under the BSF programme.

Welfare reserve	1.3	Supports welfare reform and provides welfare support more generally.
Cost of technology	7.2	Required for ongoing investment in ICT systems and development work including the implementation of a new finance system detailed in the capital programme report elsewhere on the agenda.
Elections fund	1.4	Funds future local elections
Waste reprocurement strategy	8.7	To prepare for a new contract, to take effect from May 2028
TOTAL	58.0	

2. The proposals above have identified £20.3m for the budget strategy, in addition we have added £1.8m to the service transformation fund and created a new £4m workforce planning reserve. This will enable departments to access one-off monies to support transformation work, budget savings and support investment in our workforce. A lot of this would have previously been funded from departmental reserves that have now been released to support the corporate budget strategy.

3. Members are reminded that we have a significant negative earmarked reserve. As with most authorities, we spend more than our income on the high needs schools' block. There is a special government dispensation for all authorities to maintain a negative balance, and not write it off to the general fund. Currently, the balance at the end of the year is expected to be minus £26m. The dispensation is expected to come to an end in March 2026. It is difficult to see how the Government would allow this to happen, but it remains a risk.

4. As a result of the review the following reserves will be available to support the budget strategy:

	Forecast (£m)	
Former Managed Reserve	73.8	
Release from capital programme	90.0	See capital programme report.

APPENDIX 6

Council Tax Premiums

[to follow – see para. 12.9]

Flexible Use of Capital Receipts policy

1. The law states that capital receipts can only be used for capital expenditure, or to repay debt. They cannot be used to support revenue expenditure. However, the Secretary of State does have the power to issue directions allowing capital receipts to be used for revenue expenditure. There are two areas where this is used:
   (a) To support Councils who cannot balance their budgets. These are issued specifically to the authority concerned (with conditions);
   (b) To support transformation projects. This is a permission issued to authorities generally – the last such permission covered the period to 2024/25, and we anticipate a similar permission for 2025/26.

2. This report seeks to provide the Council with the authority to use the general permission.

3. If the permission is couched in similar terms to previous years' directions, it will enable us to use receipts to fund expenditure "that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners." Severance costs can also be capitalised.

4. We do not expect to receive the precise terms of the new direction until the 2025/26 local government finance settlement is received in December.

5. Use of the permission requires a plan to be approved prior to the start of the year and sent to the Secretary of State. Once submitted, it can be updated at any time.

6. This policy is not an integral part of our budget strategy, and has been prepared solely to give us another tool to manage the budget during 2025/26. We may, for instance, use it to capitalise some revenue costs in 2025/26 and 2026/27 which would reduce the £60m we would otherwise have to seek permission from Government for to balance the 2027/28 budget. It does not give us any new resources.

<u>The Plan</u>

7. This is the first flexible use of receipts plan submitted by the Council. Consequently, no revenue expenditure has been capitalised using capital receipts prior to 2025/26.

8. Use of the flexibility will have no impact on the Council's prudential indicators, as the receipts to be used have not been factored into any other plan in 2025/26. Use of the flexibility will not affect the Council's authorised borrowing limit or operational boundary in the Treasury Strategy (also on today's agenda).

9. Should funds not be available in the severance fund or the transformation fund, we will consider using capital receipts for the following:

   (a) Development of a corporate operating model, as recommended by a finance challenge review carried out by the LGA - up to £4m;
   (b) Severance costs arising from delivery of the savings described in the budget report (see above) – up to £4m.

10. The scheme of virement (Appendix 2) delegates authority to the City Mayor to make amendments during the year and submit a revised plan to the Secretary of State.

Capital Programme 2025/26

Decision to be taken by: Council

Decision to be taken on: 19 February 2025

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Kirsty Cowell
- Author contact details: kirsty.cowell@leicester.gov.uk
- Report version number: 1

1. Summary

1.1 The main purpose of this report is to ask the Council to approve a capital programme for 2025/26**.**

1.2 Unusually, the report also seeks approval to change the way the 2024/25 programme is being paid for. When the programme was approved last February, it was expected that it would be funded from a combination of grants, capital receipts and the "capital fund" – the capital fund is a pot of money we carry forward from previous years to pay for slippage and for approved schemes which have not yet started. The capital fund is technically revenue, and because of the crisis facing the revenue budget it is now planned to use it to meet revenue expenditure. The extent of the crisis, and the full strategy for balancing the revenue budget over the next 3 years, is described in detail in a separate report on today's agenda. However, a critical feature of the revenue strategy is use of the capital fund. Consequently, some schemes in the current capital programme will now need to be financed by borrowing and your approval is sought to this refinancing.

1.3 Capital expenditure is incurred on works of lasting benefit and is principally paid for by grant, tenants' rents, and the proceeds of asset sales (capital receipts). Money can also be borrowed for capital purposes: in the past we have done very little borrowing because of the impact on the revenue budget. Now, however, we need to borrow - not just in substitution for the capital fund, but also to pay for schemes in the 2025/26 capital programme.

1.4 For the past five years the Council has set a one-year capital programme, due to uncertainty over future resources. This uncertainty remains and is unlikely to reduce until the Government publishes its national spending review in the spring.

1.5 We are presenting another one-year programme of limited scale. This will enable capacity to be focussed on key schemes and allow time to see the long-term impact of recent inflation on construction costs. With the need to utilise the revenue "capital fund" for revenue purposes this significantly limits available resources for capital expenditure to any capital grants, and with the use of Prudential Borrowing. Prudential borrowing has a revenue cost which we would want to minimise.

1.6 In addition to the one-year programme any schemes approved and in the current programme will continue into 2025/26 where needed, except the schemes outlined in 4.8, if 2.1(c) is approved.

1.7 The report seeks approval to the "General Fund" element of the capital programme, at a cost of £34.3m. In addition to this, the HRA capital programme (which is elsewhere on your agenda) includes works estimated at £41.3m, £30m of which relates to the affordable homes programme.

1.8 The table below summarises the proposed spending for capital schemes starting in 2025/26, as described in this report:-

	£m
Proposed Programme	
Schemes – Summarised by Theme	
Grant Funded Schemes	13.7
Own buildings	8.3
Routine Works	4.3
Invest to Save Schemes	1.3
Other Schemes & Feasibility and Contingencies	6.7
Total New Schemes	**34.3**
Funding	
Unringfenced Resources	32.4
Monies ringfenced to Schemes	1.9
Total Resources	**34.3**

1.9 The table below presents the total spend on General Fund and Housing Revenue Account schemes:

	£m
General Fund	34.3
Housing Revenue Account	41.3
Total	**75.6**

1.10 The Council's total capital expenditure now forecast for 2025/26 and beyond is expected to be around £315m, including the HRA and schemes approved prior to 2025/26.

1.11 The capital programme is split into two parts:-

a) Schemes which are "**immediate starts**", being schemes which directors have authority to commence once the council has approved the programme. These are fully described in this report;

b) Schemes which are "**policy provisions**", where the purpose of the funding is described but money will not be released until specific spending proposals have been approved by the Executive.

1.12 Immediate starts have been split into three categories:-

a) **Projects** – these are discrete, individual schemes such as a road scheme or a new building. These schemes will be monitored with reference to physical delivery rather than an annual profile of spending. (We will, of course, still want to make sure that the overall budget is not going to be exceeded);

b) **Work Programmes** – these consist of minor works or similar schemes where there is an allocation of money to be spent in a particular year;

c) **Provisions** – these are sums of money set aside in case they are needed, but where low spend is a favourable outcome rather than indicative of a problem.

2. Recommended actions/decision

2.1 The Council is asked to:-

(a) Approve the release of the Capital Fund, a revenue reserve, to the Managed Reserve strategy of £90m. (see para 4.4)

(b) Approve the change in financing for the 2024/25 capital programme, to include prudential borrowing (see para 4.5)

(c) Approve reductions to the 2024/25 capital programme as described at paragraph 4.8.

(d) Approve the capital programme, including the prudential borrowing for schemes as described in this report and summarised at Appendices 2 to 5, subject to any amendments proposed by the City Mayor;

(e) For those schemes designated immediate starts, delegate authority to the lead director to commit expenditure, subject to the normal requirements of contract procedure rules, rules concerning land acquisition and finance procedure rules;

(f) Delegate authority to the City Mayor to determine a plan of spending for each policy provision, and to commit expenditure up to the maximum available;

(g) For the purposes of finance procedure rules:

- Determine that service resources shall consist of service revenue contributions; HRA revenue contributions; and government grants/third party contributions ringfenced for specific purposes.

- Designate the operational estate & children's capital maintenance programme, highways maintenance programme and transport improvement programme as programme areas, within which the director can reallocate resources to meet operational requirements.

(e) Delegate to the City Mayor:

- Authority to increase any scheme in the programme, or add a new scheme to the programme, subject to a maximum of £10m corporate resources in each instance and to borrow whilst remaining within the prudential limits for debt which are proposed in the treasury management strategy (elsewhere on your agenda);

- Authority to reduce or delete any capital scheme, subject to a maximum reduction of £10m; and

- Authority to transfer any "policy provision" to the "immediate starts" category.

(g) Delegate to directors, in consultation with the relevant deputy/assistant mayor, authority to incur expenditure up to a maximum of £250k per scheme in respect of policy provisions on design and other professional fees and preparatory studies, but not any other type of expenditure.

(h) Approve the capital strategy at Appendix 6.

3. Scrutiny / stakeholder engagement

N/A

4. Background and options with supporting evidence

Amendments to 2024/25 Capital Programme

1.1 This report proposes to transfer the capital fund for use in the revenue strategy. We can do this because the capital fund is technically revenue money – how it has arisen is described below.

1.2 As members will be aware, capital resources are ringfenced. Capital grants and capital receipts can only be spent on capital schemes. Revenue monies can, however, be used to support the capital programme. In practice, making a regular contribution to capital from the revenue budget has not been affordable for a long time. We have, though, made one-off contributions over recent years, the most significant being government covid grants which were set aside to support post-pandemic recovery (these were approved following the capital outturn report for 2020/21). Other occasions have included one-off monies to support the Economic Action Plan in the period up to 2016/17.

1.3 As there is always slippage, and some resources are available before we need to spend them, financing presents us with a choice: what resources do we use and what do we carry forward to meet future commitments? In practice, **we deliberately use the most restricted resources first and carry forward the least restricted**, irrespective of why schemes were put in the programme in the first place. This means that, as revenue is the least restricted, the capital fund is always carried forward to fund slippage – the fund now probably comprises most of the revenue contributions approved over the past 14 years. It is important to recognise, though, that **these monies are fully committed to fund capital schemes members have already approved** and diverting them to the revenue budget has consequences: we will need to borrow to complete the programme. Nonetheless we have deliberately engineered a situation where we have flexibility when it is needed (as it is now).

1.4 The "capital fund" amounts to £103m. Decisions have already been taken to transfer "spare" money of £7m to support the revenue budget as part of the General Fund budget for 2024/25; and an estimated £4m is required to fund current committed costs which could arguably be considered revenue. It is now proposed that remaining £90m is transferred to support the budget.

1.5 This report also proposes reductions to the programme of £13m. This means that £77m will need to be borrowed to fund the remaining 2024/25 capital programme rather than the full £90m which is being transferred. This borrowing will inevitably make the budget gap worse but buys us time to pull the revenue budget into a more sustainable position. The impact is estimated to be an additional revenue cost of £5m per year by 2026/27. This report seeks the necessary change to the financing of the 2024/25 capital programme.

1.6 In addition, this and all future capital programmes are likely to require borrowing, which means every potential capital scheme will need to be considered for revenue affordability.

1.7 As stated above, it is proposed to reduce previously approved capital spending by £13m.

1.8 If capital cost is not reduced then the amount of borrowing would be more and would increase the amount of borrowing cost in the revenue budget. Any reductions in capital cost do not themselves result in more one-off money. The reason they are proposed is to facilitate release of the capital fund described in paragraph 4.4 and 4.5 above. Releasing the capital fund will mean money previously set aside to fund the capital programme is no longer available. To maintain the previously approved level of capital spending would require us to borrow: capital cuts reduce the borrowing required.

Proposed cuts are shown in the table below:

	Current Remaining Budget (£m)	Minus Proposed Saving (£m)	Amount remaining after saving (£m)
Malcolm Arcade – refurbishment scheme will not proceed.	1.3	(1.3)	0
Fleet – reduced programme based on underspends in previous years due to long lead times for delivery and change in policy to retain vehicles for longer due to improvements in vehicle lives.	10.3	(2.0)	8.3
Connecting Leicester – no further city centre improvement schemes to be committed.	4.2	(3.2)	1.0
Operational Estate – reduction has already been achieved.	6.4	(1.0)	5.4
Policy Provisions reduction – New Ways of Working, Strategic Acquisitions, Highways & Transport Infrastructure and Programme Contingency.	25.3	(5.9)	19.4
TOTAL	**47.5**	**(13.4)**	**34.1**

Key Policy Issues for the New Programme

1.9 The key focus of the 2025/26 capital programme is a limited one-year programme due to the resources constraints and its focus is to protect the revenue budget as far as possible.

1.10 The cost of Prudential Borrowing has been calculated for each scheme, and the total is included within the revenue budget report for 2025/26, and the Prudential Indicators included in the Treasury Report 2025/26 found elsewhere on the agenda.

1.11 The programme supports the Council’s commitment to tackling the climate emergency, most obviously but not exclusively within the Transport Improvement Works, Operational Estate and Children’s capital maintenance programmes.

Resources

1.12 Resources available to the programme consist primarily of Government grant, borrowing and capital receipts (the HRA programme is also supported by tenants’ rent monies). Most grant is unringfenced, and the Council can spend it on any purpose it sees fit.

1.13 Appendix 1 presents the resources required to fund the proposed programme, which total some £34.32m. The key unringfenced funding sources are detailed below.

a) £5.04m of general capital receipts. The delivery of receipts from Ashton Green disposals to fund the work to sell/develop by the end of 2025/26;

b) £13.68m of unringfenced grant funding. Some of these figures are estimated in the absence of actual allocations from the Government (the figure for 2026/27 represents a first call on that year to enable school schemes to be planned);

c) £1.00m from the Transformation Fund (Earmarked Revenue Reserve)

d) £1.00m from the ICT Reserve (Earmarked Revenue Reserve)

e) £0.33m of resources brought forward from an insurance claim.

f) £13.27m of borrowing, with an annual revenue cost.

1.14 For some schemes the amount of unringfenced resources required is less than the gross cost of the scheme. This is because resources are ringfenced directly to individual schemes. Ringfenced resources are shown throughout Appendix 2 and consist of government grant and contributions to support the delivery of specific schemes.

1.15 Only funding required to finance the schemes in this capital programme is included.

1.16 Finance Procedure Rules enable directors to make limited changes to the programme after it has been approved. For these purposes, the Council has split resources into corporate and service resources.

1.17 Directors have authority to add schemes to the programme, provided they are funded by service resources, up to an amount of £250,000. This provides flexibility for small schemes to be added to the programme without a report to the Executive, but only where service resources are identified. (Borrowing is treated as a corporate resource requiring a higher level of approval).

<u>Proposed Programme</u>

1.18 The whole programme is summarised at Appendix 2. Responsibility for the majority of projects rests with the Strategic Director of City Development and Neighbourhoods.

1.19 £13.68m is provided for grant funded schemes. These schemes are funded either from unringfenced grant (where we have discretion) and ringfenced resources.

a) £6.00m has been provided to continue with the **Schools Capital Improvements Programme.** This is to add the 2026/27 element as the 2025/26 element was approved in the 2024/25 capital budget. The programme will include routine maintenance and spending and is prioritised to reflect asset condition and risk. This will be a two-year programme to allow for better forward planning. The proposed programme is shown at Appendix 5. Detailed schemes will be developed following consultation with schools.

b) £3.26m is provided as part of the continued **Highway Capital Maintenance Programme**. This is a rolling annual programme and spending is prioritised to reflect asset condition, risk and local neighbourhood priorities. The proposed programme is shown at Appendix 4.

c) £2.56m is provided in 2025/26 to continue the rolling programme of works constituting the **Transport Improvement Programme**.

Some of the priority areas include:
- Delivering cross cutting cycling, walking and public transport benefits
- Local safety schemes
- Safer Neighbourhoods
- Delivery of the Local Transport Plan

d) £1.86m has been provided for **Disabled Facilities Grants** to private sector householders which is funded by government grant. This is an annual programme which has existed for many years. These grants provide funding to eligible disabled people for adaption work to their homes and help them maintain their independence.

1.20 £8.3m is provided for the Council's own buildings.

a) £1.97m has been provided to support the annual **Operational Estate Capital Maintenance Programme** of works to properties that the Council occupies for its own use. This is a rolling annual programme and spending is prioritised to reflect asset condition and risk. The proposed programme is shown at Appendix 3 but may vary to meet emerging operational requirements.

b) £1.36m is provided for the **Corporate Estate** to support the council's property portfolio. Including wall, steps & roof repairs, replacement windows. The council has a statutory responsibility to ensure business property is safe for our tenant and anybody else using the building. This will also ensure income is maintained for the revenue budget.

c) £1.00m has been provided for **Neighbourhood Services Transformation**. This focuses on the centralisation of key services to enable greater access for communities.

d) £3.79m has been provided to support the refurbishment of 86 **Leycroft Road Depot** project following fire damage, which will result in a centralised location for the parks depot.

e) £0.14m has been provided for **Evington Park Depot Staff Welfare Facilities**.

1.21 £4.34m is provided for Routine Works.

a) £3.01m has been made available for the annual **Fleet Replacement Programme.** Wherever possible, ultra-low emission vehicles (ULEVs) will be sought to support the Council's climate emergency response.

b) £0.40m has been provided for **Local Environmental Works** in wards. This scheme will focus on local neighbourhood issues including residential parking, local safety concerns, pedestrian routes, cycleways and community lighting to be delivered after consultation with ward members.

c) £0.15m is provided for **Grounds Maintenance Equipment** This scheme is to replace ageing machinery with up to date, energy efficient models as part of our annual replacement programme.

d) £0.30m is provided to continue the **Flood & Drainage** scheme into 2025/26. The programme supports the local flood risk management strategy and action plan, and the delivery of our statutory role to manage and reduce flood risk in collaboration with the Environment Agency & Severn Trent Water.

e) £0.15m is provided for **Foster Care Capital Contribution Scheme** to support foster carers with alterations to their property to allow fostered children to remain living with their carers or to increase the capacity to look after more children**.**

f) £0.20m has been provided for the **Front Walls Replacement** Scheme and is a continuation of previous schemes. It involves the enclosure of small spaces in front of housing. Enveloping schemes can make a significant improvement to local neighbourhoods and enable occupiers to tend house fronts more effectively.

g) £0.08m has been provided for a **Historic Building Grant Programme**. This will provide match funding to city residents and organisations to support the repair of historic buildings and the reinstatement of lost original historic features.

h) £0.05m is included as part of the continued programme to refresh **Festival Decorations**.

1.22 £1.30m is provided for Invest to Save schemes.

a) £0.55m is provided for **KRIII Cafe**. Relocating the café within the building to allow additional access and to create a dedicated schools and education hire space. The relocation would allow the café to be open separately to the exhibition and allow additional income to be generated.

b) £0.45m **Street Cleaning equipment**. To provide additional efficient sweepers and street flushers and reduce travel and fuel costs to deliver litter and detritus statutory responsibilities.

c) £0.18m **Public Toilet Automatic Locking.** Installation of an automated system for toilets located on parks and highways in 23 locations.

d) £0.06m **Southgates Underpass Lighting**. To replace fluorescent lighting tubes with LED lighting strips.

e) £0.06m **Trees and Woodland Stump Grinder**. To replace the existing grinder and avoid the need to hire.

1.23 £6.74m is provided for Other Schemes & feasibility and contingencies:

a) £5.04m **Strategic Sites**. To facilitate capital assets disposals, in particular Ashton Green.

b) £1.00m **Finance System Replacement**. To implement a system to replace the Council's existing legacy system. The finance system has come to the end of the contract, and we need to procure a system to ensure financial controls and ensure efficiency.

c) £0.7m is provided for Feasibility Studies. This will enable studies to be done, typically for potential developments not included elsewhere in the programme or which might attract grant support. For example, Gilroes Cemetery and depot modernisation.

<u>Proposed Programme – Policy Provisions</u>

1.24 Policy provisions are sums of money which are included in the programme for a stated purpose, but for which a further report to the Executive (and decision notice) is required before they can be spent. Schemes are usually treated as policy provisions because the Executive needs to see more detailed spending plans before full approval can be given.

1.25	Executive reports seeking approval to spend policy provisions must state whether schemes, once approved, will constitute projects, work programmes or provisions; and, in the case of projects, identify project outcomes and physical milestones against which progress can be monitored.
1.26	Where a scheme has the status of a policy provision, it is shown as such in the appendix.
Capital Strategy	
1.27	Local authorities are required to prepare a capital strategy each year, which sets out our approach for capital expenditure and financing at high level.
1.28	The proposed capital strategy is set out at Appendix 6.

5. Financial, legal, equalities, climate emergency and other implications

5.1 Financial implications

This report is exclusively concerned with financial issues.
Signed: Kirsty Cowell
Dated: 21 November 2024

5.2 Legal implications

As the report is exclusively concerned with financial matters, there are no direct legal implications arising from the report. In accordance with the constitution, the capital programme is a matter that requires approval of full Council. The subsequent letting of contracts, acquisition and/or disposal of land etc all remain matters that are executive functions and therefore there will be the need to ensure such next steps have the correct authority in place prior to proceeding. There will be procurement and legal implications in respect of individual schemes and client officers should take early legal advice.
Signed: Kevin Carter, Head of Law - Commercial, Property & Planning
Dated: 22 November 2024

5.3 Equalities implications

Under the Equality Act 2010, public authorities have statutory duties, including the Public Sector Equality Duty (PSED) which means that, in carrying out their functions they have to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't. Protected characteristics under the Equality Act 2010 are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

People from across all protected characteristics will benefit from the improved public good arising from the proposed capital programme. However, as the proposals are developed and implemented, consideration should continue to be given to the equality impacts of the schemes in question, and how it can help the Council to meet the three aims of the Public Sector Equality Duty. The report seeks approval for the capital programme, capital programme includes schemes which improve the city's infrastructure and contribute to overall improvement of quality of life for people across all protected characteristics. By doing so, the capital programme promotes the PSED aim of: fostering good relations between different groups of people by ensuring that no area is disadvantaged compared to other areas as many services rely on such infrastructure to continue to operate. Some of the schemes focus on meeting specific areas of need for a protected characteristic: disabled adaptations within homes (disability), home repair grants which are most likely to be accessed by elderly, disabled people or households with children who are living in poverty (age and disability). Other schemes target much larger groups of people who have a range of protected characteristics reflective of the diverse population within the city. Some schemes are place specific and address environmental issues that also benefit diverse groups of people. The delivery of the capital programme contributes to the Council fulfilling our Public Sector Equality Duty (PSED). Where there are any improvement works to buildings or public spaces, considerations around accessibility (across a range of protected characteristics) must influence design and decision making. This will ensure that people are not excluded (directly or indirectly) from accessing a building, public space or service, on the basis of a protected characteristic.
Signed: Equalities Officer, Surinder Singh
Dated: 22 November 2024

5.4 Climate Emergency implications

The Council has declared a climate emergency and set an ambition for the council and city to achieve net zero carbon emissions. The council is one of the largest employers and landowners in the city, with a carbon footprint of 15,463 tCO_2e from its own operations in 2023/24. The council therefore has a vital role to play in reducing emissions from its operations, increasing the energy efficiency of its council housing stock, working with its partners and leading by example on tackling the climate emergency in Leicester. The report notes the importance of tackling the climate emergency through the capital programme, with a number of the projects outlined directly playing a positive role in reducing or mitigating carbon emissions. There is not sufficient information within this report to provide specific details of climate change implications for individual projects, which may have significant implications and opportunities. Detailed climate emergency implications should therefore be produced for individual projects as and when plans are finalised, and engagement carried out with the council's Sustainability service where necessary. At a high level, there are some general

principles that should be followed during the planning, design and implementation of capital projects, as detailed below. A toolkit is also being developed to support the achievement of reduced carbon emissions in council capital construction and renovation projects. New buildings should be constructed to a high standard of energy efficiency, and incorporate renewable energy sources and low carbon heating sources wherever possible, with projects aiming to achieve carbon neutral development or as close as possible to this. Maintenance and refurbishment works, including replacement of systems or equipment, should also seek to improve energy efficiency wherever possible. This will reduce energy use and therefore bills, delivering further benefits to the council and other occupants of its buildings. Major projects will also need to meet Climate Change policy CS2 in the Leicester City Core Strategy planning document, which requires best practice in terms of minimising energy demand for heating, ventilation and lighting, achieving a high level of fabric efficiency, and the use of low carbon or renewable sources of energy. Projects involving procurement, including for construction works, should follow the Council's sustainable procurement guidelines. This includes the use of low carbon and sustainable materials, low carbon equipment and vehicles and reducing waste in procurement processes. Transport projects should seek to enable a greater share of journeys to be safely and conveniently undertaken by walking, cycling or public transport wherever possible, and many of the planned works will directly contribute to this. Flood risk and environmental works are also a key part of increasing resilience to a changing climate in the city.
Signed: Aidan Davis, Sustainability Officer, Ext 37 2284
Dated: 25 November 2024

5.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

Policy	Yes	The capital programme is part of the Council's overall budget and policy framework and makes a substantial contribution to the delivery of Council policy.
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	Yes	A number of schemes will benefit elderly people and those on low income.

6. Background information and other papers:

Draft Capital Budget 2025/26 presented to Overview Select Committee 30 January 2025.

7. Summary of appendices:

Appendix 1	Capital Resources.
Appendix 2a	Grant Funded Schemes
Appendix 2b	Own Buildings
Appendix 2c	Routine Works
Appendix 2d	Invest to Save
Appendix 2e	Other & Feasibilities Schemes
Appendix 3	Operational Estate Maintenance Capital Programme
Appendix 4	Highways Maintenance Capital Programme
Appendix 5	Children’s Capital Improvement Programme
Appendix 6	Capital Strategy 2025/26

8. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”? If so, why?

No – it is a proposal to Council.

Appendix 1

Capital Resources

	25/26	26/27	Total
	{£000}	*{£000}*	*{£000}*
Resources Brought Forward			
Insurance Claim	330	0	**330**
Total One Off Resources	**330**		330
Capital Receipts			
General Capital Receipts	5,040	0	**5,040**
Total Receipts	**5,040**	**0**	**5,040**
Unringfenced Capital Grant			
Education maintenance	0	6,000	**6,000**
Integrated Transport	2,576	0	**2,576**
Transport maintenance	3,262	0	**3,262**
Total Unringfenced Grant	**5,838**	**6,000**	**11,838**
Earmarked Reserves	2,000	0	**2,000**
Prudential Borrowing	13,237	0	**13,237**
TOTAL UNRINGFENCED RESOURCES	**26,445**	**6,000**	**32,445**
Ringfenced resources			
Disabled Facilities Grant	1,861	0	1,861
TOTAL RINGFENCED RESOURCES	**1,861**	**0**	**1,861**
TOTAL CAPITAL RESOURCES	**28,306**	**6,000**	**34,306**

Appendix 2a

Grant Funded Schemes

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Grant Funded Schemes					
Children's Capital Maintenance Programme *	CDN (EBS)	WP	6,000	-	**6,000**
Highway Capital Maintenance	CDN (PDT)	WP	3,262	-	**3,262**
Transport Improvement Works	CDN (PDT)	WP	2,556	-	**2,556**
Disabled Facilities Grants	CDN (HGF)	WP	-	1,861	**1,861**
TOTAL			**11,818**	**1,861**	**13,679**

Key to Scheme Types : WP = Work Programme

Summary of Ringfenced Funding

	{£000}
Disabled Facilities Grant	1,861
TOTAL RINGFENCED FUNDING	**1,861**

* For 2026/27 budget

Appendix 2b

Own Buildings

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Own Buildings					
86 Leycroft Road Depot	CDN (NES)	PJ	3,794	-	**3,794**
Operational Estate Maintenance	CDN (EBS)	WP	1,970	-	**1,970**
Corporate Estate	CDN (EBS)	WP	1,358	-	**1,358**
Neighbourhood Services Transformation	CDN (NES)	PJ	1,000	-	**1,000**
Evington Park Depot Staff Welfare Facilities	CDN (NES)	WP	140	-	**140**
TOTAL			**8,262**	**-**	**8,262**

Key to Scheme Types : PJ = Project ; WP = Work Programme

Appendix 2c

Routine Works

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Routine Works					
Fleet Replacement Programme	CDN (HGF)	WP	3,013	-	**3,013**
Local Environmental Works	CDN (PDT)	WP	400	-	**400**
Flood Risk Prevention	CDN (PDT)	WP	300	-	**300**
Front Walls Enveloping	CDN (PDT)	WP	200	-	**200**
Grounds Maintenance Equipment	CDN (NES)	WP	150	-	**150**
Foster Care Capital Contribution Scheme	CDN (ECS)	WP	150	-	**150**
Historic Building Grant Fund	CDN (PDT)	WP	75	-	**75**
Festival Decorations	CDN (TCII)	WP	50	-	**50**
TOTAL			**4,338**	**-**	**4,338**

Key to Scheme Types : WP = Work Programme

Appendix 2d

Invest to Save Schemes

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Invest to Save Schemes					
King Richard III Café	CDN (TCI)	PJ	551	-	**551**
Street Cleaning Equipment	CDN (NES)	WP	445	-	**445**
Public Toilet Automatic Locking	CDN (NES)	WP	176	-	**176**
Southgates Underpass Lighting	CDN (PDT)	PJ	55	-	**55**
Trees and Woodland Stump Grinder	CDN (NES)	WP	55	-	**55**
TOTAL			**1,282**	**-**	**1,282**

Appendix 2e

Feasibilities and Other Schemes

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Feasibilities and Other Schemes					
Strategic Sites	CDN (PDT)	PJ	5,035	-	**5,035**
Finance System Replacement	CRS	PJ	1,000	-	**1,000**
Feasibility Studies	CDN (Various)	WP	690	-	**690**
TOTAL			**6,725**	**-**	**6,725**

Key to Scheme Types : PJ = Project ; WP = Work Programme

GRAND TOTAL – ALL SCHEMES	**32,445**	**1,861**	**34,306**

Appendix 3

Operational Estate Maintenance Capital Programme

Description	Amount £000's
Building Works - Essential maintenance at the Council's operational and investment buildings. Key works include pathway replacements at parks, accessibility works at council buildings and works to heritage sites.	1,176
Compliance Works - Generally consisting of surveys to gain condition data across the estate and works arising from the various risk assessments that are undertaken.	298
Electrical Works – Installation of security gates at the council's depots	124
Mechanical Works - Ventilation systems, building management systems and heating controls.	199
Emergency Provision – Provision for emergency reactive works that could be required across the Council's estate.	173
TOTAL	**1,970**

Appendix 4

Proposed Highways Maintenance Capital Programme

Description	Amount £000's
Principal Roads – Narborough Road, Uppingham Road	315
Unclassified Neighbourhood Roads, Large Area Patching & Pothole Repairs – Target large carriageway defect repairs to provide longer term repairs in readiness for surface dressing.	1,422
Footway Relays and Reconstructions – Focus on neighbourhood street scene corridor improvements in district centres; Narborough Road footways refurbishment, Melton Road uneven footway improvements.	400
Strategic Bridge Deck Maintenance & Replacement Works - Includes feasibility studies and structural surveys to assess St. Margaret's Way half joint replacement and Burleys Way Flyover maintenance.	100
Bridge Improvement & Maintenance Works – Kitchener Road & Chesterfield Road Bridge Maintenance. Various parapet replacements, structural maintenance works and technical assessment review project.	185
Traffic Signal Installations Renewals and Lighting Column Replacements – Signalling Upgrades, Lamp Column Replacements, Illuminated Bollards and Sign Replacements.	240
DfT / Whole Government Accounting Lifecycle Asset Management Development Project – Strategic asset management development, data analysis, lifecycle planning and reporting in support of DfT Challenge Funding bidding linked to asset management performance.	600
TOTAL	**3,262**

Appendix 5

Children's Capital Improvement Programme*

Description	**Amount £000's**
Building Works - Typical works include roof replacements, sports hall floor replacements, playground resurfacing and window replacements.	3,997
Compliance Works - This work stream will mainly be used to ensure the playing fields and pavilions used by schools are fully compliant with current regulations and to conduct health and safety works.	575
Mechanical Works - schemes being undertaken within the programme typically consist of re-piping heating systems and end of life ventilation replacements.	667
Individual Access Needs Works - This is a provision to allow works to be carried out to enable children with additional needs to access mainstream school.	194
Emergency Provision - This is provision within the programme to allow for emergency unforeseen works to be carried out.	567
TOTAL	**6,000**

*2026/27 budget

Appendix 6

Capital Strategy 2025/26

1. Introduction

1.1 It is a requirement on local authorities to prepare a capital strategy each year, which sets out our approach to capital expenditure and financing at a high level. The requirement to prepare a strategy arises from Government concerns about certain authorities borrowing substantial sums to invest in commercial property, often primarily for yield and outside the vicinity of the council concerned (something the Council has never done).

1.2 There is also a requirement on local authorities to prepare an investment strategy, which specifies our approach to making investments other than day to day treasury management investments (the latter is included in our treasury management strategy, as in previous years). The investment strategy is presented as a separate report on your agenda.

1.3 This appendix sets out the proposed capital strategy for the Council's approval.

2. Capital Expenditure

2.1 The Council's capital expenditure plans are approved by the full Council, on the basis of two reports:-

(a) The corporate capital programme – this covers periods of one or more years and is always approved in advance of the period to which it relates. It is often, but need not be, revisited annually (it need not be revisited if plans for the subsequent year have already been approved);

(b) The Housing Revenue Account (HRA) capital programme – this is considered as part of the HRA budget strategy which is submitted each year for approval.

2.2 The capital programme is split into:-

(a) Immediate starts – being schemes which are approved by the Council and can start as soon as practical after the council has approved the programme. Such schemes are specifically described in the relevant report;

(b) Policy provisions, which are subsequently committed by the City Mayor (and may be less fully described in the report). The principle here is that further consideration is required before the scheme can start.

2.3 The corporate capital programme report sets out authorities delegated to the City Mayor. Decisions by the City Mayor are subject to normal requirements in the constitution (e.g. as to prior notice and call-in).

2.4 Monitoring of capital expenditure is carried out by the Executive and the Overview Select Committee. Reports are presented on 3 occasions during the years, and at outturn. For this purpose, immediate starts have been split into three categories:-

(a) **Projects** – these are discrete, individual schemes such as a road scheme or a new building. These schemes are monitored with reference to physical delivery rather than an annual profile of spending. (We will, of course, still want to make sure that the overall budget is not going to be exceeded);

(b) **Work Programmes** – these will consist of minor works or similar schemes where there is an allocation of money to be spent in a particular year.

(c) **Provisions** – these are sums of monies set aside in case they are needed, but where low spend is a favourable outcome rather than indicative of a problem.

2.5 When, during the year, proposals to spend policy provisions are approved, a decision on classification is taken at that time (i.e. a sum will be added to projects, work programmes or provisions as the case may be).

2.6 The authority has never previously capitalised revenue expenditure, except where it can do so in compliance with proper practices: it has never applied for directions to do so. The revenue budget strategy, if approved, now envisages applying for permission to capitalise £60m of expenditure, to be funded from capital receipts. It also envisages utilising a general direction to capitalise expenditure that produces revenue savings.

2.7 The table below forecasts the past and forecast capital expenditure for the current year and 2025/26. It therefore, includes latest estimates of expenditure from the 2024/25 programme that will be rolled forward.

Department / Division	**2024/25 Estimate £m**	**2025/26 & Beyond Estimate £m**
All Departments	4.0	3.4
Corporate Resources	0.7	1.0
Planning, Development & Transportation	41.2	30.1
Tourism, Culture & Inward Investment	21.6	15.5
Neighbourhood & Environmental Services	4.1	4.7
Estates & Building Services	14.7	10.3
Adult Social Care	0.0	5.9
Children's Services	18.7	30.7
Public Health	0.0	0.0
Housing General Fund	30.9	34.9
Total General Fund	**135.9**	**136.5**
Housing Revenue Account	46.7	178.3
Total	**182.6**	**314.8**

2.8 The Council’s Estates and Building Services Division provides professional management of non-housing property assets. This includes maintaining the properties, collecting any income, rent reviews, ensuring that lease conditions are complied with and that valuations are regularly updated at least every 5 years. A capital programme scheme is approved each year for significant improvements or renovation.

2.9 The Housing Division provides management of tenanted dwellings. Apart from new build and acquisitions, the HRA capital programme is almost entirely funded from tenants' rents. The criteria used to plan major works are in the table below:-

Component for Replacement	Leicester's Replacement Condition Criteria	Decent Homes Standard: Maximum Age
Bathroom	All properties to have a bathroom for life by 2036	30 - 40 years
Central Heating Boiler	Based on assessed condition	15 years (future life span of new boilers is expected to be on average 12 years)
Chimney	Based on assessed condition	50 years
Windows & Doors	Based on assessed condition	40 years
Electrics	Every 30 years	30 years
Kitchen	All properties to have an upgraded kitchen by 2036	20 - 30 years
Roof	Based on assessed condition	50 years (20 years for flat roofs)
Wall finish (external)	Based on assessed condition	80 years
Wall structure	Based on assessed condition	60 years

3. **Financing Capital Expenditure**

3.1 For at least the last decade, most capital expenditure of the Council has been financed as soon as it was spent (by using grants, capital receipts, revenue budgets or the capital fund). The Council only incurred spending which could not be financed in this way in strictly limited circumstances. Such spending is termed "prudential borrowing" as we are able to borrow money to pay for it. Due to the parlous financial position we are in, prudential borrowing is now an inevitable requirement if we are to have all but absolutely minimal capital programmes. Capital spending proposals will consequently only be approved in the light of the revenue implications and hard choices need to be made.

3.2 The Council measures its capital financing requirement, which shows how much we would need to borrow if we borrowed for all un-financed capital spending (and no other purpose). This is shown in the table below:-

	2024/25 Estimate £m	2025/26 £m	2026/27 £m	2027/28 £m
HRA	473	493	520	546
General Fund	282	300	323	348

(The table above excludes PFI schemes).

3.3 Projections of actual external debt are included in the treasury management strategy, which is elsewhere on your agenda.

4. **<u>Debt Repayment</u>**

4.1 As stated above, in the past decade the Council has usually paid for capital spending as it is incurred. Prior to this however, the Government encouraged borrowing and money was made available in Revenue Support Grant each year to pay off the debt (much like someone paying someone else's mortgage payments). Now it no longer does so.

4.2 The Council makes charges to the general fund budget each year to repay debt incurred for previous years' capital spending. (In accordance with Government rules, no charge needs to be made to the Housing Revenue Account: we do, however, make charges for newly built and acquired property).

4.3 The general underlying principle is that the Council seeks to repay debt over the period for which taxpayers enjoy the benefit of the spending it financed.

4.4 Where borrowing pays for an asset, debt is repaid over the life of the asset.

4.5 Where borrowing pays for an investment, debt is repaid over the life of the <u>Council's</u> interest in the asset which has been financed (this may be the asset life or may be lower if the Council's interest is subject to time limits). Where borrowing funds a loan to a third party, repayment will never exceed the period of the loan.

4.6 Charges to revenue will be based on an equal instalment of principal, or set on an annuity basis, as the Director of Finance deems appropriate.

4.7 Debt repayment will normally commence in the year following the year in which the expenditure was incurred. However, in the case of expenditure relating to the construction of an asset, the charge will commence in the year after the asset becomes operational or the year after total expenditure on the scheme has been completed.

4.8 The following are the maximum asset lives which can be used:-

- (a) Land – 50 years;
- (b) Buildings – 50 years;
- (c) Infrastructure – 40 years;
- (d) Plant and equipment – 20 years;
- (e) Vehicles – 12 years.

4.9 Some investments governed by the treasury strategy may be accounted for as capital transactions. Should this require debt repayment charges, an appropriate time period will be employed.

4.10 Authority is given to the Director of Finance to voluntarily set aside sums for debt repayment, over and above the amounts determined in accordance with the above rules, where they believe the standard charge to be insufficient, or in order to reduce the future debt burden to the authority.

4.11 In circumstances where the investment strategy permits use of borrowing to support projects which achieve a return, the Director of Finance may adopt a different approach to debt repayment to reflect the financing costs of such schemes where permitted by Government guidance. The rules governing this are included in the investment strategy.

4.12 The ratio of financing costs to net revenue budget is estimated to be:-

	2024/25 %	2025/26 %	2026/27 %	2027/28 %
HRA	13.3	13.3	13.8	14.2
General Fund	1.5	2.8	3.6	4.3

5. **Commercial Activity**

5.1 The Council has for many decades held commercial property through the corporate estate. It may decide to make further commercial investments in property or give loans to others to support commercial investment. Our approach is described in the investment strategy, which sets the following limitations:-

(a) The Council will not make such investments primarily to generate income. Each investment will also benefit the Council's service objectives (most probably, in respect of economic regeneration and jobs). It may, however, invest to improve the financial and environmental performance of the corporate estate properties we currently hold;

(b) The Council will not make investments outside of the Leicester, Leicestershire and Rutland area (or just beyond its periphery) except as described below;

(c) There is one exception to (b) above, which is where the investment meets a service need other than economic regeneration. An example might be a joint investment, in collaboration with other local authorities; or investment in a consortium serving local government as a whole. In these cases, the location of the asset is not necessarily relevant.

5.2 Such investments will only take place (if they are of significant scale) after undertaking a formal appraisal, using external advisors if needs be. Nonetheless, as such investments also usually achieve social objectives, the Council is prepared to accept a lower return than a commercial funder might, and greater risk than it would in respect of its treasury management investments. Such risk will always be clearly described in decision reports (and decisions to make such investments will follow the normal rules in the Council's constitution).

5.3 Although the Council accepts that an element of risk is inevitable from commercial activity, it will not invest in schemes whereby (individually or collectively) it would not be able to afford the borrowing costs if they went wrong. As well as undertaking a formal appraisal of schemes of a significant scale, the Council will take into account what "headroom" it may have between the projected income and projected borrowing costs. In practice, our ability to carry out commercial activity is now limited by our revenue position.

5.4 In addition to the above, the Council's treasury strategy may permit investments in property or commercial enterprises. Such investments may be to support environmental and socially responsible aims and are usually pooled with other bodies. For the purposes of the capital strategy, these are not regarded as commercial activities under this paragraph as the activity is carried out under the treasury strategy.

6. **Knowledge and Skills**

6.1 The Council employs a number of qualified surveyors and accountants as well as a specialist team for economic development who can collectively consider investment proposals. It also retains external treasury management consultants (Link). For proposed investments of a significant scale, the Council may employ external specialist consultants to assist its decision making.

Adult Social Care:
Cost Mitigation Programme

For consideration by:
Adult Social Care Scrutiny Commission

Date of meeting: 9 January 2025

Lead director: Kate Galoppi

Useful information

- Ward(s) affected: All
- Report author: June Morley
- Author contact details: june.morley@leicester.gov.uk 0116 454 1939
- Report version number: V1

1. Summary

1. This report provides an overview of the development and progress of the Adult Social Cost Mitigation Programme.

2. Adult Social Care engaged Ernst & Young, in the Summer of 2023, to support with defining a programme that could deliver on an ambitious target over the period 2023-2027. Ernst & Young helped Adult Social Care to shape a programme focussed on mitigation of costs and provided a project management delivery methodology to focus activity.

3. In November 2023, Adult Social Care embarked on a journey to reduce costs by creating an overarching programme focussed on 4 themes:
   3.1. Reducing growth in the costs of care
   3.2. Reducing new entrants, and management of demand
   3.3. Improving efficiency
   3.4. Partnership working

4. The Adult Social Care Cost Mitigation Programme is governed by a Programme Board ensuring Strategic Director oversight and a Programme Delivery Group, chaired by Adult Social Care directors and including cross-departmental staff. This ensures that projects are jointly owned and delivered and reduces duplication of effort within the department.

5. Reports are delivered to the Lead Member for Adult Social Care on a quarterly basis to ensure political oversight of the programme and financial position.

6. The task of seeking and achieving all opportunities to reduce costs has been embraced by the department. This is being done whilst keeping sight of the statutory requirement to meet identified eligible carer and social care needs whilst ensuring provision of a quality service.

7. The projects team have worked on just over 30 projects, focussed on mitigating costs and driving efficiencies, with around 20 live at any point in time. See Appendix 1 for some examples of projects that have been delivered.

8. To note: one of the projects, aimed at reducing spend on taxi services, resulted in the development of a Transport Sequence that is gaining regional interest as most social care departments (adult and children's) are grappling with increasing transport costs. The transport sequence, along with details of achievements and lessons learned connected to it, can be seen in Appendix 2.

9. The Adult Social Care Cost Mitigation Programme was externally reviewed in September 2024. This review suggested that Adult Social Care is working cross-departmentally to deliver services cost-efficiently, specifically also referring to the

important role that commissioning plays in analysing need, designing services, securing provision and contract management or review. There was a short list of recommendations made with most of these already in progress, or planned, when capacity becomes available. The review did not highlight any opportunity for cost avoidance that had not already been delivered or considered, which was encouraging to note.

10. A new Quality Assurance Panel was created in December 2023 to quality assure packages of care and ensure staff have considered alternatives to funding care, such as through continuing health care or shared care arrangements with the NHS. This panel is jointly led by an Adult Social Care Director, a Lead Commissioner and an Operational Service Manager.

11. The Cost Mitigation Programme had noted the importance of quality commissioning and had already ensured alignment between the programme and commissioning. The Programme Delivery Group includes the Head of Strategic Commissioning, and the Quality Assurance Panel includes commissioners to ensure all opportunity for commissioning is recognised and explored.

2. Recommended actions/decision

1. To note the current activity taking place across Adult Social Care to ensure cost mitigation is maximised whilst ensuring the needs of carers and people with social care needs are met

3. Scrutiny / stakeholder engagement

4. Background and options with supporting evidence

1. It is nationally reported by the Local Government Association and the Association for the Directors of Adult Social Services that local authorities, including Leicester City Council, are experiencing financial pressures. There is acknowledgement, nationally, that this is partly due to the growing demand for Adult Social Care services.

2. Adult Social Care in Leicester, similar to national comparators, are experiencing increasing demand for services and also encountering increasing complexity of needs for people requiring care. This can mean care packages are more frequently being requested and [some] can be increasingly expensive to provide.

3. Leicester is not an affluent City so does not have many people able to afford to pay for their care (fully) which places the financial burden (statutory duty) to provide care on Adult Social Care.

4. In November 2023, Adult Social Care embarked on delivery of a range of projects that combined suggestions from Ernst & Young with several that had already either

commenced or had been earmarked for delivery. The big difference was the way in which projects were to be delivered insofar as the methodology recommended by Ernst & Young was trialled and was subsequently successful.

5. Against this background, work commenced in 2023 to look at ways to reduce spend whilst continuing to ensure that carers and people requiring services from Adult Social Care had their needs met. Adult Social Care engaged Ernst & Young consultants to help the department to find areas where cost mitigation was potentially possible and to provide suggestions of how this could be achieved.

6. The new methodology takes projects through 6 checkpoints to check progress and potential for mitigating cost at each stage. Each project is based on evidence and has a clear project lead and sponsor. Projects are swiftly closed if evidence shows it was unlikely to either (a) avoid cost or (b) make a positive efficiency or productivity impact. This ensures staff resource is focussed on things that can make a difference

7. The project team leading on the Cost Mitigation Programme consists of a skill mix of project management and business analysts. The cost of the team equates to approximately 1.37% of the overall cost avoidance target.

8. The project team are working closely with the performance team to ensure that project metrics are monitored to ensure changes to practice or process are embedded, and cost avoidance achieved.

9. The programme recognises that achievement of cost avoidance is only possible when there is buy-in across the department. The fortnightly delivery group discuss project progress and ensures that social work operational and practice leads are aware of (and approve) changes to be made where opportunities for mitigating costs or making efficiencies can be created. This ensures that the outcomes for people, and the ability of staff to meet a person’s needs, are never compromised when changes are made.

10. Owing to the statutory duty to provide Adult Social Care to those who meet the eligibility criteria, and the complexity and individuality of people, it is challenging to predict exactly what the demand for services will be. Adult social care has been successful in managing demand due to social workers being creative and using community-based resources and finding innovative ways to ensure needs are met.

11. The picture is fragile and is monitored closely. There are a wide range of factors that are outside the control of Adult Social Care that can impact on costs. The following are examples and not exhaustive:

    a. National impact – increases to National Living Wage and National Insurance contributions pushes up prices of care in the market
    b. People with high levels of need moving to Leicester
    c. Young people transitioning to Adult Social Care with high needs (*it is noted nationally that numbers of young people with disability, educational and health needs are increasing – some of these will need Adult Social Care*)
    d. People living longer and requiring support for longer (often developing additional needs or more complex needs as time goes on)

e. Growth and demand generally – the more people receiving social care means more assessments and more annual reviews are required (which impacts on staff capacity / costs)

12. The cost mitigation programme operates alongside wider Adult Social Care departmental control measures that have contributed to overall successful outcomes in controlling costs and delivering within budget. This includes a wide range of operational control measures, alongside strategic commissioning.

13. There is a vast array of cross-departmental activity taking place to mitigate cost in Adult Social Care, whilst ensuring Care Act duties are met and that quality care is provided to the diverse communities in Leicester. Examples of the Adult Social Care activities that contributed towards cost avoidance in 2023/24 and 2024/25 are shown below. These activities will continue into the future, embedding and sustaining ongoing cost mitigation activity:
    a. The use of the outcome support sequence. This is a tool supporting innovative social work practice whereby social work staff will support people to be as independent as possible, before provision of formal social work
    b. authorisations (financial approvals) are now embedded within Liquidlogic (which is the digital case management system for social care)
    c. digital enhancements - such as the development of the shared care record which reduces the time spent waiting for information from health colleagues
    d. head of service approval needed for specified circumstances
    e. project delivery (such as development of the Transport Sequence)
    f. piloting new ways of working such as provider led reviews and the quality in care team
    g. implementation of the Quality Assurance Panel which provides additional oversight of care provision assuring quality and mitigating cost where possible.
    h. managing demand – ensuring (where possible that) people's needs are met with appropriate information and advice and signposting them to universal services where this will meet their needs
    i. enhancing access to reablement services which offer short term interventions to reduce, delay or prevent a need for long-term provision of adult social care

14. Adult Social Care has a successful history of effective commissioning that ensures we meet our Care Act duty of availability of a quality, sustainable market to meet the needs of our residents.

15. Adult Social Care works in partnership with health and neighbouring authorities to deliver joint commissioning which supports economies of scale and manages costs within the market. Our fees rates are favourable, and we have sufficiency of supply demonstrating our understanding of need.

16. The range of activity noted at No 13 has contributed towards holding back growth in Adult Social Care. Cost avoidance for the period 2024/25 is being delivered by a combination of cost mitigation against the Adult Social Care package cost budget and the ongoing impact of extensive work done by the service to reduce costs. This takes into account a number of efficiencies which include:

    a. A reduction in the underlying cost of care packages to reflect:

i. targeted continued improvement in the control of costs associated with growth in need (in terms of costs associated with existing packages of care)
ii. a reduction in the number of new people who receive a formal package of care, i.e. using the outcome support sequence and looking at other ways of meeting support needs such as use of technology and/or including sign-posting people to other appropriate community services etc.

b. an upward revision to expected income from fees, joint-funded care package income, and higher than expected ring-fenced grant income for ASC services from government

The above narrative supports the forecast saving of £22.5m in 2025/26 – this being cumulatively more as the package cost assumptions play out over a longer period.

17. There are 2 key drivers for growth in Adult Social Care: "growth in need" (i.e. The cost of care packages) and "growth in numbers of people" receiving a package of care. There has been good progress in managing growth in need as follows:
    a. 2022/23 – growth was 4.9%
    b. 2023/24 – growth was 3.23%
    c. 2024/25 – target is 2%

18. Regarding the numbers of people receiving a package of care, this was initially budgeted at 2% for older people and 7% for working age adults. Based on evidence in year, this target was revised down to 0% growth for older people and 5% for working age adults.

19. Performance monitoring, so far this year, indicates that:
    a. The average package costs for leavers has gone up (so in effect packages that are ending are of a higher price which is helping the overall cost base)
    b. The average package costs for starters has gone down (so in effect packages that are starting are of a lower price which is helping our overall cost base)
    c. The combination of the 2 points above (a and b) is reducing the overall average package cost of people in receipt of a formal package of care which in turn is helping the overall cost base

20. The table below shows the year end position or expected position over a 3-year period to 2024/2025:

Year	Budget	Outturn / Forecast Outturn	Underspend / Forecast Underspend	Underspend as % of budget
2022-23	£130,256,700	£128,398,819	-£1,857,881	1.45%
2023-24	£153,466,300	£146,960,412	-£6,505,888	4.43%
2024-25 (as at period 6)	£156,030,000	£153,532,000	-£2,498,000	1.63%

21. The Cost Mitigation Programme team engages with all service areas in Adult Social Care and listens to staff so as to explore any opportunity to identify and deliver on cost avoidance or to improve efficiency. This ensures that there is a constant pipeline of projects awaiting delivery. These projects are regularly reviewed and prioritised for allocation to project managers.

22. Following on from the successful use of the project delivery methodology that Ernst Young recommended, there are plans to consider how this can be rolled out across Social Care and Education departments to ensure consistency, and further grow project management expertise, across the wider division.

5. Financial, legal, equalities, climate emergency and other implications

5.1 Financial implications

This report is solely concerned with financial issues
Signed: Mohammed Irfan
Dated: 12 December 2024

5.2 Legal implications

Any failure to meet eligible needs would place the authority at risk of judicial review of its decision making. The cost mitigation programme is being undertaken with close regard to the authority's statutory duty to meet identified and eligible care and social care needs and notes the challenge in terms of predicating and meeting demand for its services
Signed: Susan Holmes
Dated: 9th December 2024

5.3 Equalities implications

Under the Equality Act 2010, public authorities have a Public Sector Equality Duty (PSED) which means that, in carrying out their functions, they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

The report provides an updated overview on the development and progress of the Adult Social Care Cost Mitigation Programme, whilst ensuring the needs of carers and people with social care needs are being met, who will be from across a range of protected characteristics. Leicester is one of the most diverse cities in England and this should be taken into account when looking at mitigating cost. The cost mitigation programme needs to ensure equality considerations continue to be taken into account as appropriate, for example across the four identified themes, recommendations from the external review, setting up of the new Quality Assurances Panel.

If changes are proposed in the way services are delivered, it is recommended that Equality Impact Assessments are undertaken, to demonstrate, that the consideration of equalities impacts has been taken into account in the development of the proposals and as an integral part of the decision-making process

Signed: Sukhi Biring, Equalities Officer
Dated: 10 December 2024

5.4 Climate Emergency implications

There are no climate emergency implications directly associated with this report. More widely, it should be noted that service delivery generally contributes to the council's carbon footprint through the consumption and use of energy, materials and services. As such, the development of cost mitigation proposals should include consideration of opportunities to achieve carbon reductions, as relevant and appropriate, which could themselves provide further financial benefits through reduced consumption. Potential measures could include opportunities to encourage the use of sustainable and active travel options, using buildings and materials efficiently and following the council's sustainable procurement guidance, as appropriate and relevant to the service.
Signed: Aidan Davis, Sustainability Officer, Ext 37 2284
Dated: 11 December 2024

5.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

6. Background information and other papers:

7. Summary of appendices:

Appendix 1 – Examples of projects

Appendix 2 – Transport Sequence

8. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

9. Is this a "key decision"? If so, why?

Appendix 1 - Examples of Projects

Appendix 1 -
example savings pro

Appendix 2 – Transport Sequence

Transport
Sequence lessons le

Project Examples	Project Aims
Direct Payments	To understand the cost of direct payments, with attention to where weekly costs are above the standard rates followed by the Council. To improve the way that direct payments are input onto the Liquidlogic system to clarify the constituent parts of a direct payment award.
Community Reablement Pilot	To understand the demand for, and impact of, people having access to Reablement services if a request is made to increase their packages of care.
Transport Sequence	To understand the cost of transportation services in adult social care; with the aim to reduce costs. To improve staff awareness of costs of a range of transport options.
Continuing Health Care applications for the top 50 high-cost packages	To review 50 people on high-cost packages with a view to see how many may be eligible for health funding such as Continuing health Care (CHC) or Shared Care funding. To raise awareness of the need to consider alternative funding when reviewing people’s changing needs.
Quality in Care Service	To pilot a new service, called Quality in Care, whereby staff observe, within a provider setting, (over weeks) the appropriateness and quality of support delivered by care providers. To ensure people’s strength-based outcomes, as noted on support plans, are being met by care providers and that care packages are right-sized based on observed needs.

What is the Transport Sequence?

The Transport Sequence is a document to help guide social work practice. It is strengths-based and follows the same steps as The Outcomes and Support Sequence. Alongside the Taxi Cost Calculator, The Transport Sequence is enabling people to do more for themselves, and where it is needed, cost effective transport options are being explored in social work practice.

The guidance was created to help address growing costs of transport provision, especially when taxis are used and was collaboratively produced with staff from social work teams, colleagues in the Passenger and Transport Service (PATS), and staff from across Brokerage, Finance, Corporate Transport, and Legal.

- Social Work Teams described the lack of any formal guidance for supporting transport needs. It was found that Taxi firms will often inflate their prices because the Council is involved.
- Corporate Transport provided information on the local schemes and initiatives available to transport people across Leicester.
- Legal clarified assumptions about the use of Disability Living Allowance or Personal Independence Payments in paying for transport.
- The data suggested cheaper alternatives to taxi transport.

The guidance is now live and there is a good opportunity to reflect on the lessons learned in its creation and implementation, as well as the achievements observed to date.

Lessons Learned – Good Practice

1. Data on the transport services provided to people highlighted that taxis commissioned by Adult Social Care can cost up to 4 times more than alternatives like direct payments, PATS buses, and day opportunities transport. This formed the basis of our discussions with social work teams.
2. Discussions with social work teams discovered that taxis, when ordered by council workers, can be more expensive when compared to a person and/or their family ordering a taxi for themselves.

3. Staff are making good use of the transport sequence, to explore transport options, and are checking if people can:
    a. Make their own way to a venue – this can remove the need for a transport payment
    b. Access transport that is provided by organisations such as Age UK – this can be up to 4x cheaper than a commissioned taxi
    c. Manage a direct payment and arrange their own transport such as a taxi – this can be 2x cheaper than a commissioned taxi
4. Staff are making sure that review opportunities are used to check if people would prefer to organise their own transport via a Direct Payment (and cease their commissioned taxi).
5. People have more choice and control if they can manage a direct payment for transport themselves (rather than have a commissioned service in place).

Achievements

Benefits in practice

1. There is now consistent guidance available to support social work practice when identifying transport needs and how a person can be supported.
2. The guidance builds on an already well-embedded methodology – the Outcomes and Support Sequence. Using this methodology as the template for guidance on transport has helped make it seem “familiar” and thus easier to implement.
3. Social work teams feedback that using the Transport Sequence as part of the review process is working, as choice and control are better discussed, with financial responsibility being part of conversations with people.

“Using the transport sequence tool is very much going back to basics, using a strengths-based approach to how can the person support themselves with transport.”

“The transport sequence has proven to be effective with the Learning Disability Teams as the practitioners have become more confident in going through the sequence to ascertain whether there are other options of support, before considering commissioned transport or reducing existing transport costs.”

Financial Benefits

We looked at the 20 most expensive taxi journeys identified as part of this initiative. Savings have been achieved of up to £1,900 per week. Should these changes made in transport support continue, up to £100,000.00 per annum could be achieved for these 20 journeys. Not only have people continued to receive the transport they need, but they can have more choice and control (such as with the direct payment options).

What changes are being made?

Social Workers are being innovative with the use of the transport sequence by:

- Asking people to make best use of mobility benefits to fund their own transport.
- Engaging with our Brokerage Team to find cheaper taxis.
- Enabling people and their families to seek their own transport – using a direct payment.
- Reviewing what transport needs are required for people.
- Engaging with day providers that provide cheaper, bus-based transport, to maximise use of this option.

Adult Social Care Scrutiny Commission Report

An Overview of Support for People who self-fund their social care

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Lead Member: Cllr Sarah Russell

Lead Strategic Director: Laurence Jones

Director: Ruth Lake

Date: 9 January 2025

Wards Affected: All
Report Author: Ruth Lake
Contact details: 454 5551 / ruth.lake@leicester.gov.uk
Version Control: V1

1. Summary

1.1 This report provides the Adult Social Care Scrutiny Commission with an overview of the support offered to people who self-fund their Adult Social Care (ASC) support.

2. Recommendations

2.1 The Adult Social Care Scrutiny Commission is recommended to:

a) Note the report and to provide any comments

3. Overview Report

3.1 The Care Act 2014 sets out a clear legal framework for Local Authorities in their duties towards people who are deemed to be self-funders.

3.2 A person with assets of more than £23,250 is regarded as a self-funder of their care and support. What constitutes an asset depends on the setting of care (residential or non-residential) and the occupation of the 'home'. Commonly this is savings, stock or shares and property. The value of a person's home is not considered an asset where they are receiving community-based support in that home. A home is regarded as an asset where a person moves into residential or nursing care, unless it is being occupied by a relevant other person (spouse / carer).

3.3 It is worth noting that the financial reforms set out by the previous Government, in relation to a cap on the lifetime costs of care and a scaled approach to the treatment of income / assets from a higher financial threshold, were 'paused' indefinitely. There has been no different position given on this policy reform intention to date.

3.4 Self-funders have the right:

- To request an assessment, where it appears they have a need for care and support.
- To be supported with independent advocacy, where they appear to have substantial difficulty engaging with an assessment process and have no other person able to provide them with support.
- To the provisions of the Mental Capacity Act, where they lack capacity and best interest decisions may be made.

- To request that the Council meets their needs – the Local Authority has the power to charge for this support at full cost and to charge an arrangement fee.
- To receive reviews, where the Local Authority makes support arrangements on the self-funders behalf.

3.5 Additionally, self-funders have the right to access the universal support a Local Authority provides under the Care Act, including information, advice and guidance, preventative support and support that might promote general wellbeing.

3.6 Should a person's assets approach the threshold of £23,250, they may approach the Local Authority for an assessment, to determine their eligibility for care and support (if not already established) and a financial assessment to determine what contributions the Local Authority will make to their support arrangements.

3.7 The prevalence of self-funders in Leicester is difficult to state accurately, as most will not be known to the Local Authority. National estimates, based on population wealth, are that between 18 – 23% of people who require ASC support in Leicester may be in a position to self-fund their care.

3.8 The universal offer is made to people in Leicester without regard to their financial status. A person's financial position may be discussed during early conversations about care and support, to ensure that appropriate advice can be given; however, advice, information, guidance, signposting and access to preventative services are available to everyone regardless of their ability to self-fund care.

3.9 It is in the Council's interests to ensure that people's independence is maximised, as this promotes wellbeing and reduces the need for people to use their assets to pay for care that could have been avoided. Therefore, self-funders have full access to crisis response services and reablement, which are provided at no cost to anyone requiring this support, including people who would self-fund their longer-term care.

3.10 Leicester does not presently charge for support in arranging a person's care, where they are self-funding it. The Council is making arrangements for 53 self-funding individuals (21 receiving non-residential care and 32 people receiving residential care).

3.11 There are two significant areas of activity relating to self-funders – people who have property assets to be sold but where that has not yet happened, and people's whose assets have depleted to the financial threshold of £23,250.

3.12 The Council offers a Deferred Payment Scheme in line with national guidance, for people have a property to sell but need to pay for care costs in the interim period. The Council will meet those costs, and upon the sale of the property, will recoup them. At that point, the individual will become self-funding unless / until their savings reduce to the financial threshold.

3.13 Should the Council be making community care arrangements for a person who is self-funding, the process of financial assessment and review will establish whether their assets are depleting to the threshold where Local Authority funding contributions might be made.

3.14 The Council is approached each year by people who are paying for care that they have arranged themselves, usually in residential or nursing care, and where their assets are at or approaching the threshold for support. As set out at 2.6, assessments are conducted to establish a person's eligible needs and their financial position and any contribution to be made by the Local Authority.

3.15 Whilst the process is clearly defined and for many people is a seamless transition, the difference between exercising complete autonomy over what care needs are met and how, and the Care Act framework for statutory support, can lead to some challenges for individuals. It can also present challenges to the Local Authority.

3.16 Eligibility of need:
A person must be deemed to have eligible needs in line with the Care Act, to be entitled to statutory support by a Local Authority. The care being received must be necessary and proportionate to meet eligible needs. Whilst it is not often the case that a self-funding individual is assessed to be wholly ineligible for support, there are occasions where the nature, extent or setting of support are not deemed to meet the statutory guidance. Typically this would be seen as people living in residential care who do not require 24 hours support to meet their needs and could be supported in a community setting.

3.17 Choice and cost:
A person who has self-funded an independently chosen care home is likely to be paying a higher weekly rate that a person placed by a Local Authority. This may be linked solely to the market forces, where providers charge self-funding individual more; it may also be linked to choices that individuals have made about the standard of their environment. A sizeable proportion of a care fee relates to 'hotel and accommodation' costs and 'luxury' facilities will be considerably more expensive that the Council would expect to fund.

3.18 In the situations above, the Council may not agree to fund the care that is in place, in full or in part. Where a person is living in a care home, this presents a difficult situation, in exploring alternative settings, either in the community or in a less expensive care home that adequately meets an individual's needs. This can be upsetting for individuals and families, who, understandably, do not wish to move from their current home. Each year, the Councill will work with a small number of individuals faced with this situation.

3.19 The Council's position is to understand the options available to the individual and to assess the impact of any changes to their support plan on their wellbeing. Some individuals may have family members who are able to make 3rd party top ups, thus supplementing the fee paid by the Council to remain in a higher cost setting that is not assessed to be necessary to meet needs.

3.20 Where there is no option of additional funding, the Council will explore a move for that person to another setting. Whilst every situation is unique, typically considerations will include the extent to which a person is able to engage in that decision and their views; any impacts on people who might visit the person in that setting were they to move elsewhere; and whether the person is likely to experience significant distress should they move. It should be noted that people move between placements for many reasons without experiencing significant harm or distress, or where distress can be managed in the initial period and the move is necessary (for example because a person has developed needs that can only me met in a registered nursing home). Whilst the Council would not wish to disrupt care arrangements, it is our responsibility to ensure that public funding is fairly and carefully spent and this may require us to make decisions that families or individuals do not welcome.

3.21 For context, in 2023/4 275 people were recorded as a new admission to Local Authority funded residential / nursing care. Of these, 20 were people who became 'new' admissions to funded care (but were already living in care), due to their savings dropping below the threshold.

4.1 Finance

There are no financial implications arising directly from this report.

Signed: Georgia Shelton
Date: 12/12/2024

4.2 Legal

The duties of the local authority are fully set out within the report. There are no legal implications related to this report the purpose of which is to provide an overview of support offered.

Signed: Susan Holmes

Date: 20th December 2024

4.3 Equalities Implications Under the Equality Act 2010, public authorities have a Public Sector Equality Duty (PSED) which means that, in carrying out their functions, they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited by the Act, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't. Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. There are no direct equality implications arising from this report. However, we need to ensure equality considerations are taken into account when offering support to people who self-fund their Adult Social Care (ASC) support. The council's universal offer should be accessible and help self-funders to understand the process in an accessible manner. Signed: Sukhi Biring, Equalities Officer Date: 10 December 2024

4.4 Climate emergency implications There are no significant climate emergency implications directly associated with this report. Signed: Aidan Davis, Sustainability Officer, Ext 37 2284 Date: 9 December 2024

5. Background information and other papers:

None

6. Appendices

None

Adult Social Care Scrutiny Committee

Work Programme 2024 – 2025

Meeting Date	Item	Recommendations / Actions	Progress
8 July 2024	Adult Social Care Overview	The Commission noted the report.	
	Adult Social Care Reviews	A previous report on the strength-based approach be circulated to Members.	Report circulated to Members.
	CQC Assessment of Adult Social Care - Readiness and Learning	The Commission to be kept updated on the CQC assessment.	Added to the forward plan.
29 August 2024	Early Action – Leading Better Lives Project	Information to be provided on prevention budget.	Information provided to Members.
		Information to be provided on cost of Ernst & Young Consultants and identified savings.	Information provided to Members.
		Item to remain on work programme for Commission to receive updates on progress.	Added to the forward plan.
	SCE Procurement Plan 2024-25	Consideration to be given to how social value could be added to contracts through procurement, particularly care leavers as a corporate parent.	Information provided to Members.
		Item to be added to the work programme on supported living.	Updated on the forward plan.

Meeting Date	Item	Recommendations / Actions	Progress
14 November 2024	Leicester Safeguarding Adults Board Annual Report Understanding Equity in ASC (A Deep Dive into Race Equity) Support for Carers	Self-neglect to be added to the work programme. Equity data on care leavers to be shared.	Added to the forward plan.
9 January 2025	Draft General Revenue Budget and Capital Programme 2025/26 ASC Savings Delivery Programme Support for Self-Funders CQC Assessment Update - Verbal		
13 March 2025	*Suggested items tbc:* *Supported Housing* *Autism Placed Based Delivery Plan* *External Workforce Strategy*		
24 April 2025	*Suggested items:* *Young Carers* *Transitions from Childrens to Adults* *Prevention Update*		

Forward Plan Items (suggested)

Topic	Detail	Proposed Date
ASC funding	The Commission requested at the meeting on 29 August 2024 that an item be added to the work programme to discuss funding for care, particularly self-funding and deferred payment scheme.	9 January 2025
Supported Living	Commission requested at the meeting on 29 August 2024 that an update be provided on supported living. Consideration to be given to a joint discussion with the Housing Scrutiny Commission.	13 March 2025
Community Prevention / Early Action	Commission also requested preventative services be discussed at meeting on 8 July 2024.	29 August 2024 24 April 2025
Death by Suicide	For joint discussion with public health.	
Workforce	For joint discussion with public health.	
ASC Budget Monitoring		
Winter Planning	Joint Adult Social Care & Public Health and Health Integration Scrutiny Commission – 10 September 2024.	10 September 2024
ASC quarterly performance report		
Adult Social Care CQC Assessment	Update on learning from assessments at other authorities and readiness 8 July 2024. Commission requested to be kept updated on the CQC assessment.	
Self-neglect		