Agenda Item 4

Leicestershire County Council

CABINET – 17 DECEMBER 2024

PROVISIONAL MEDIUM TERM FINANCIAL STRATEGY 2025/26 - 2028/29

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to set out the proposed Medium Term Financial Strategy (MTFS) for 2025/26 to 2028/29, for consultation and scrutiny.

Recommendations

2. It is recommended that:

   (a) The proposed Medium Term Financial Strategy, including the 2025/26 draft revenue budget and capital programme, be approved for consultation and referred to the Overview and Scrutiny Committees and the Scrutiny Commission for consideration;

   (b) The Director of Corporate Resources, following consultation with the Cabinet Lead Member for Resources, be authorised to -

      i.) agree a response to the provisional Local Government Finance Settlement;

      ii.) decide on the appropriate course of action with regard to the Leicester and Leicestershire Business Rates Pool in 2025/26 and, subject to agreement by all member authorities, to implement this;

   (c) Each Chief Officer, in consultation with the Director of Corporate Resources and following consultation with the relevant Lead Member(s), undertake preparatory work as considered appropriate to develop the savings set out in the draft MTFS and to identify additional savings in light of the financial gap in all four years of the MTFS, to enable the Cabinet and Council to consider further those savings to be taken forward as part of the MTFS and implemented in a timely manner;

(d) A further report be submitted to the Cabinet on 7 February 2025.

Reasons for Recommendations

3. To enable the County Council to meet its statutory requirements with respect to setting a balanced budget and Council Tax precept for 2025/26 and to provide a basis for the planning of services over the next four years.

4. To ensure that the County Council's views on the provisional Local Government Finance Settlement are made known to the Government.

5. To enable the County Council (alongside the pooling partners) to respond to the Ministry of Housing, Communities and Local Government (MHCLG) in respect of the Business Rates Pool within 28 days from the draft Local Government Finance Settlement.

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

7. To consider feedback from consultation on the draft MTFS and the views of the Overview and Scrutiny bodies and the final recommendations to be made to the County Council.

Timetable for Decisions (including Scrutiny)

8. The external consultation on the MTFS will take place from 18 December 2024 until 19 January 2025. The MTFS will be considered by the County Council's Overview and Scrutiny bodies between 15 and 27 January 2025 as follows -

   Health - 15 January
   Highways and Transport - 16 January
   Adults and Communities – 20 January
   Children and Families – 21 January
   Environment and Climate Change –22 January
   Scrutiny Commission - 27 January

9. The Cabinet will then consider the comments of the Overview and Scrutiny bodies and responses from the wider consultation process at its meeting on 7 February 2025. The County Council meets on 19 February 2025 to consider the final MTFS.

Policy Framework and Previous Decisions

10. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council on 21 February 2024.

11. The County Council's Strategic Plan (agreed by the Council on 18 May 2022) summarises the Council's vision for Leicestershire through five strategic outcomes and a single line vision statement. The outcomes represent long-term aspirations for Leicestershire which may not be achieved in full during the four-

year course of the Strategic Plan. Therefore, the Plan also includes specific aims for the Council to achieve by 2026 in order to progress towards each outcome. It also sets out some of the key actions which the Council will deliver to achieve these aims. The five outcomes are:

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

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

13. The Cabinet at its meeting on 13 September 2024 noted the significant financial challenges faced by the Council and inter alia agreed the approach to updating the MTFS.

Legal Implications

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

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

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

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

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

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

19. The County Council, as a major precepting authority, is required to consult representatives of business rate payers and details of the budget consultation are set out below. There is no statutory requirement to undertake a public consultation on the MTFS but it is important to bear in mind that decisions which flow from the MTFS in relation to a change of provision or service will require adequate and proper lawful consultation before any decision is made as well as an equalities assessment to comply with the Public Sector Equality duty as referred to above. The preparatory work to be undertaken by Chief Officers as set out in the recommendations is key to contributing to lawful decision-making.

20. There is a requirement for the precept to be approved by the Council and notified to the billing authorities by no later than 1 March 2025.

Resource Implications

21. The MTFS is the key financial plan for the County Council. The County Council's financial position has been challenging for a number of years due to over a decade of austerity combined with significant growth in spending pressures, particularly from social care and special educational needs. This was exacerbated by the impact of the Covid-19 pandemic and significant increases in inflation, to levels not seen for many decades.

22. The Chancellor's Budget announced on 30th October 2024 set out national spending totals for 2025/26 and a direction of travel in terms of future government policy, but provided little detailed information or certainty for the Council's MTFS. A Policy Statement was released on 28th November but the Council will need to wait for the Local Government Finance Settlement later in December before the impact on the MTFS can be accurately assessed. A summary of the announcements from the Chancellor's Budget and Policy Statement is given in part B of the report below.

23. The level of uncertainty in the MTFS continues to remain very high driven by continued increased demand for services but particularly due to uncertainty over future funding. The scale of the challenge faced to balance the MTFS by year four is becomes harder each year given the level of savings already delivered.

24. The current MTFS was unprecedented in that the first year was only balanced by the use of earmarked reserves to fund a gap of £6m, with a gap of £33m in year two rising to £83m in year four.

25. The position in 2024/25 has improved and as at September (Period 6) it is forecast that the £6m use of reserves will not be required, a further £6m can be set aside to support the capital programme and that an additional forecast underspend of £4m can be added to the Budget Equalisation reserve, to provide funding towards anticipated gaps in later financial years. There is, however, a significant overspend on Children's services (£9m) and the High Needs Block deficit has increased to £22m for the year. These are offset by the impact of demand management actions in Adult Social Care, a reducing impact of inflation and increased investment income. Although the net result of these issues is an overall improvement when compared to the previous MTFS forecasts, the medium to longer term financial position of the Council still remains very difficult.

26. There are also a number of challenges in the Capital Programme, with increased costs on some major schemes due to the impact of inflation and weather-related delays, as well as additional pressures in Highways Maintenance.

27. This revised MTFS for 2025-29 projects a gap of £6.3m in the first year that (subject to changes from later information such as the Local Government Finance Settlement) will need to be balanced by the use of earmarked reserves. There is then a gap of £42m in year two rising to £96m in year four. The gaps in the second, third and fourth years of the MTFS are particularly concerning, especially as a number of mitigations have already been included, such as future increases in Council Tax. To have a realistic chance of closing the gap the County Council will need to quickly identify additional savings or income generation options that allow 2026/27 to be balanced without the use of reserves. For this reason existing financial control measures remain in place and the introduction of further measures are kept under review to ensure a tight focus on eliminating non-essential spend.

28. Delivery of the MTFS requires savings of £181m to be made from 2025/26 to 2028/29, unless service demand reduces, or additional income is secured. This MTFS sets out in detail £85m of savings and proposed reviews that will identify further savings to reduce the £96m funding gap on the main revenue budget and the £120m cumulative funding gap on the High Needs grant by 2028/29. High Needs expenditure within the Government grant going forwards has (in recent years) exceeded grant to the extent that a cumulative deficit of £64m is forecast by the end of the current financial year. Strong financial control, plans and discipline will be essential in the delivery of the MTFS.

29. To ensure that the MTFS is a credible financial plan, unavoidable cost pressures have been included as growth. By 2028/29 this represents an investment of £109m, primarily to meet the forecast increase in demand for social care. The MTFS also includes a net £88m provision for pay and price inflation in 2025/26 and later years. The majority of these pressures are unavoidable due to the nationally set National Living Wage and level of National Insurance, which has a significant influence on social care contracts, pay awards and increases to running costs driven by the levels of inflation.

30. Balancing the budget is an ongoing and increasingly difficult challenge. With continual growth in service demand recent MTFS's have tended to show two-years of balanced budgets followed by two years of growing deficits. This

approach balances the need for sufficient time to identify initiatives that will close the gap without cutting back services excessively. The draft MTFS only forecasts a balanced budget next year, after assuming the use of £6.3m of earmarked reserves to meet the currently projected gap, but the following three years are all in deficit.

31. The £42m gap in the second year is too significant to be cleared, or even significantly reduced, by the time the MTFS is approved in February 2025. It will be a priority for reserves to be set aside to fully cover this gap to ensure that the County Council has sufficient time to formulate and deliver savings and supress service growth. A heightened focus on the County Council's finances continues to be required whilst this situation remains.

32. The draft four-year capital programme totals £380m. This includes investment for services, road and school infrastructure arising from housing growth in Leicestershire, social care accommodation and essential ICT and Property capital schemes. Capital funding available totals £296m, with the balance of £84m being temporarily funded from the County Council's internal cash balances, with external borrowing potentially being required in future years.

33. Whilst the Autumn Budget only set out detailed government spending plans for 2025/26, it is clear that spending has been front loaded and there are likely to be further reductions in government spending, in real terms, for unprotected departments beyond 2025/26. The Institute for Fiscal Studies (IFS) currently estimates that unprotected government departments, which includes local government, will see reductions in real terms of 1.4%. This will have a more significant impact on areas, such as Leicestershire, that are experiencing population growth.

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

Circulation under the Local Issues Alert Procedure

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

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PART B

2024 Autumn Budget and Policy Statement

36. On 30 October 2024 the Chancellor of the Exchequer delivered the 2024 Autumn Budget. Prior to the announcement there were calls for additional funding to support the much publicised pressures councils are experiencing, especially in respect of adults and children's social care, special educational needs and homelessness.

37. The key headlines from the Budget include:

- £1.3bn additional funding for 2025/26, of which at least £0.6bn is for social care.
- Additional funding for SEND, Household Support Fund, Homelessness, Schools / Education and Transport (in addition to the £1.3bn referred to above).
- 3.2% real terms increase in Core Spending Power (although this includes the additional raised by a 5% Council Tax increase).
- National Insurance Contribution increases for employers, with only directly incurred tax costs funded for local government (but no further details).
- Household Support Fund extended for 2025/26, with the amount allocated for England reduced from £842 million to £742 million.
- A Policy Statement giving further details to be released by the end of November (subsequently released on 28th)
- The 2025/26 Local Government Finance Settlement to be issued 'on or around 19th December'.
- Funding reforms from 2026/27, with some implications for the distribution of additional funding in 2025/26.
- Simplified funding – fewer grants and multi-year settlements.
- Spending Review to report in spring 2025.
- The promise of an English Devolution White Paper to set out more detail on the government's devolution plans and approach to "council reorganisation" with an indication that efficiency savings would be retained locally.

38. The Budget was accompanied by an announcement the preceding day that the National Living Wage (NLW) from April 2025 will increase from the current level of £11.44 an hour to £12.21, an increase of 6.7% which will have a significant impact on the costs of Social Care services and will also be a significant factor in the setting of local government pay levels for 2025/26 onwards.

39. On 28 November 2024 the Government issued a Policy Statement on the Local Government Finance Settlement 2025/26. This paper confirmed a number of assumptions based on the Autumn Budget and gave some additional details:

- Core council tax referendum threshold at 3% and the adult social care precept referendum threshold at 2% for all authorities responsible for adult social care services. Bills will show the combined 5% as a single line.

- The Government will target additional funding based on deprivation and the relative ability of Councils to raise Council Tax “to equalise the system” – this approach will almost certainly lead to the County Council receiving lower allocations than previously anticipated.
- £0.68bn of additional Social Care grant, but it is unclear if this will be allocated using the same formula as previous allocations. Indications are that income raised from the Adult Social Care precept will be a bigger factor in the formula, which is likely to mean that the Council receives a lower share.
- A new £0.6bn Recovery Grant, allocated using deprivation and accounting for the ability to raise Council Tax – the County Council (and perhaps many others) may not receive any of this new grant.
- A new £0.25bn Children’s Social Care Prevention Grant – no details on how this will be allocated.
- Extended Producer Responsibility (EPR) allocations – significantly more than anticipated but subject to work on the costs and criteria.
- National Insurance - the approach being taken to calculate compensation for direct costs is still unclear. There will be no further grant for indirect costs, e.g. social care providers, the Government pointing to additional social care funding instead.
- The New Homes Bonus Grant will be extended to 2025/26, with a consultation on proposals for reforming the grant for later years.
- Funding reform will progress quickly, with a consultation on principles and approach to be issued with the Provisional Settlement in December.
- Business Rates Reset will go ahead from 2026/27, ‘to further allow us [government] to match funding to where it is needed most’. This will reduce the County Council’s income by over £18m p.a.
- The 2026/27 Settlement will be the first multi-year settlement in 10 years.

40. For Councils concerned about their ability to set or maintain a balanced budget the government will consider representations for exceptional financial support, which is primarily permission to borrow to fund revenue costs and consideration of requests for “bespoke referendum principles” to raise council tax above the main referendum limits.

41. Whilst the initial announcement in the Chancellor’s budget of additional funding for local government was welcome, as further detail has emerged it has become clearer that the County Council may not benefit from the funding as originally anticipated. For example:

- Not all of the funding is additional – some elements of the new or increased grants have come from the abolition of the Services Grant, Rural Services Grant and Minimum funding guarantee.
- Due to the government’s focus on deprivation and Council tax raising ability as driving factors for funding allocation, the County Council is expecting to receive significantly less income than it might have expected under previous allocation formulas. This is particularly the case for the Recovery Grant, where we are not expecting to receive any allocation (compared to £6m had it been allocated under the previous settlement formula)

- The £1bn additional funding for SEND includes £480m of grant payable directly to schools to meet the cost of the 2024 teachers pay award and is outside the Dedicated Schools Grant.
- There will be no additional funding to reflect the impact of the increase in employers NI on social care providers.

42. The Policy Statement also lacked clarity in a number of areas:
    - There is no further information on how Councils will be compensated for the additional costs of Employers NI on its direct staff
    - There is no detailed information on how the £1.3bn funding for local government will be allocated, other than a focus on deprivation.
    - No detail on how other funding streams, such as the Integrated Transport Settlement, will be allocated or when announcements will be made.

43. Unfortunately, this uncertainty has made it difficult to estimate the actual impact of the Chancellor's budget until the Local Government Finance Settlement is announced later in December. It does, however, show a future direction of travel for the Spending Review 2025 that may not benefit the County Council.

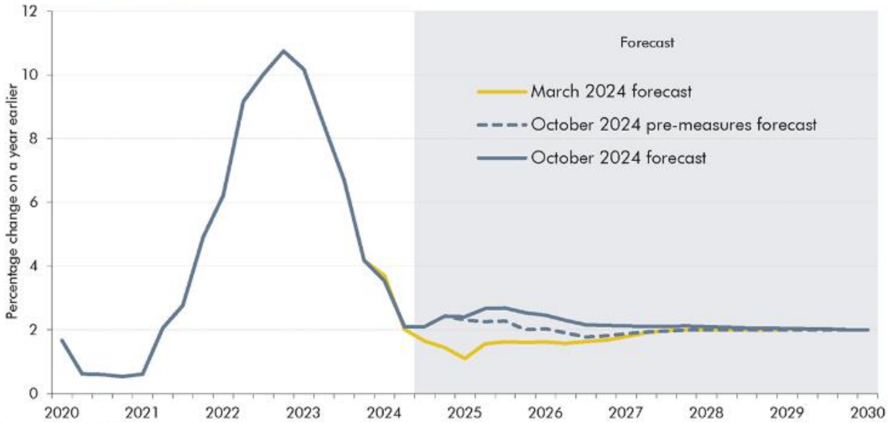
National Context

44. Following the Chancellor's recent Budget announcement, it is clear that the Government doesn't have a lot of room for manoeuvre. And so the challenges local government has faced due to over a decade of austerity, combined with significant growth in spending pressures, particularly from rising demand and cost within social care and special education needs services, exacerbated by external factors such as Covid -19 and high levels of inflation are expected to continue and, in all likelihood worsen.

45. The Office for Budget Responsibility's (OBR's) latest October 2025 forecast shows that CPI inflation (see Graph 1), having fallen back to 2% in the middle of 2024 is expected, on the back of the measures announcement in the Budget, to increase to about 2.6% during 2025 before gradually falling back to the targeted 2%. However, it will remain above the levels forecast in the March forecasts until around 2028.

Graph 1 – Inflation

Chart 1.4: CPI inflation

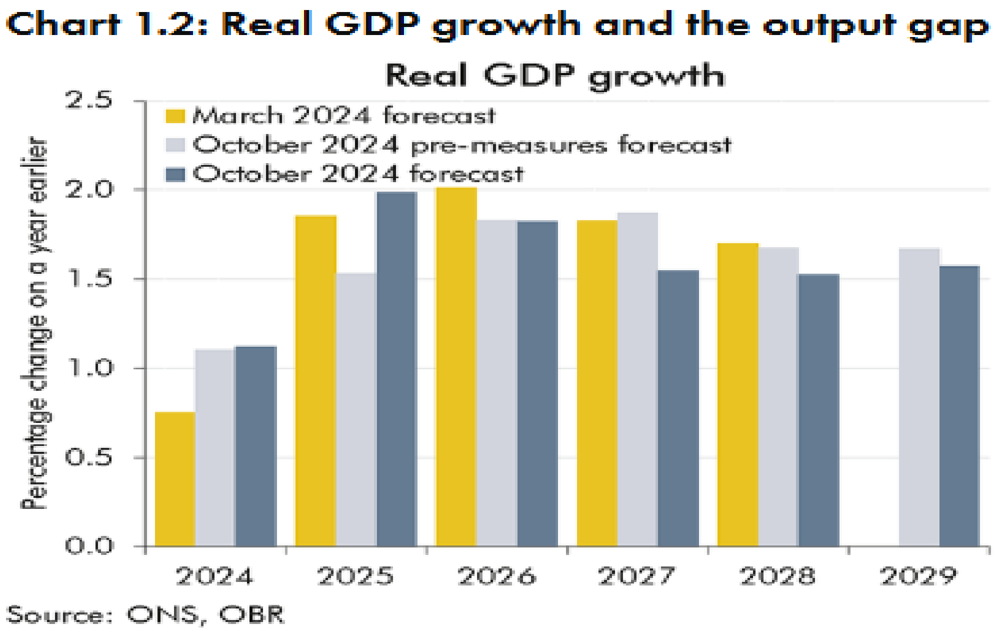


Source: ONS, OBR

46. Meanwhile, the expectations are that the Bank of England base rate will gradually reduce back to around 3.5% by 2028. This reduction is more gradual than was forecast in March and compared to that forecast the rate will be around 0.5% higher than previous forecasts over the next 2 years.

47. Gross Domestic Product (GDP) is expected to increase from just above 0 last year to 1.1% this year, rising to 2% in 2025 before falling back to 1.8% in 2026 and 1.5% thereafter. This is shown in Graph 2. Compared to the March forecast growth is expected to be on average 0.25% higher this year and next reflecting stronger GDP that forecast in recent quarters coupled with the net fiscal loosening in the recent Budget announcement. But growth will then be weaker between 2026 and 2028 as the benefits of this reduce.

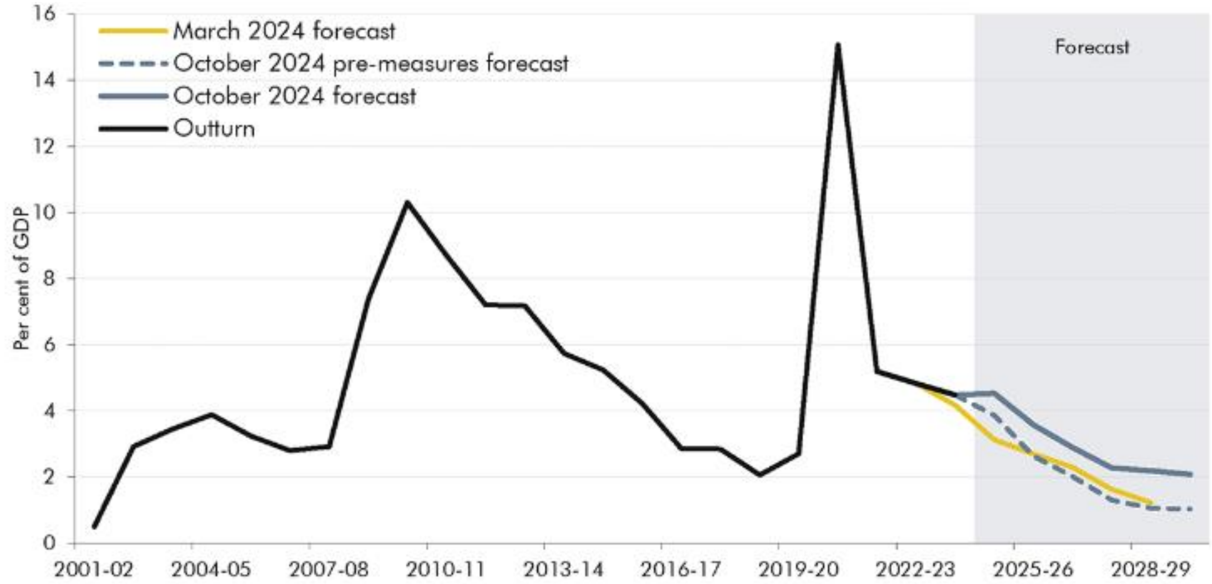
Graph 2 – GDP forecast



48. Public sector net borrowing, shown in Graph 3, is forecast to rise from £121.9Bn (4.5% of GDP) last year to £127.5Bn this year. It is then forecast to fall back to £70.6Bn (a little over 2% of GDP) by 2029.

49. On average this level of borrowing is about £28.4Bn (or 0.9% of GDP) higher than was forecast in March driven largely by the changes announced in the Chancellor's Budget.

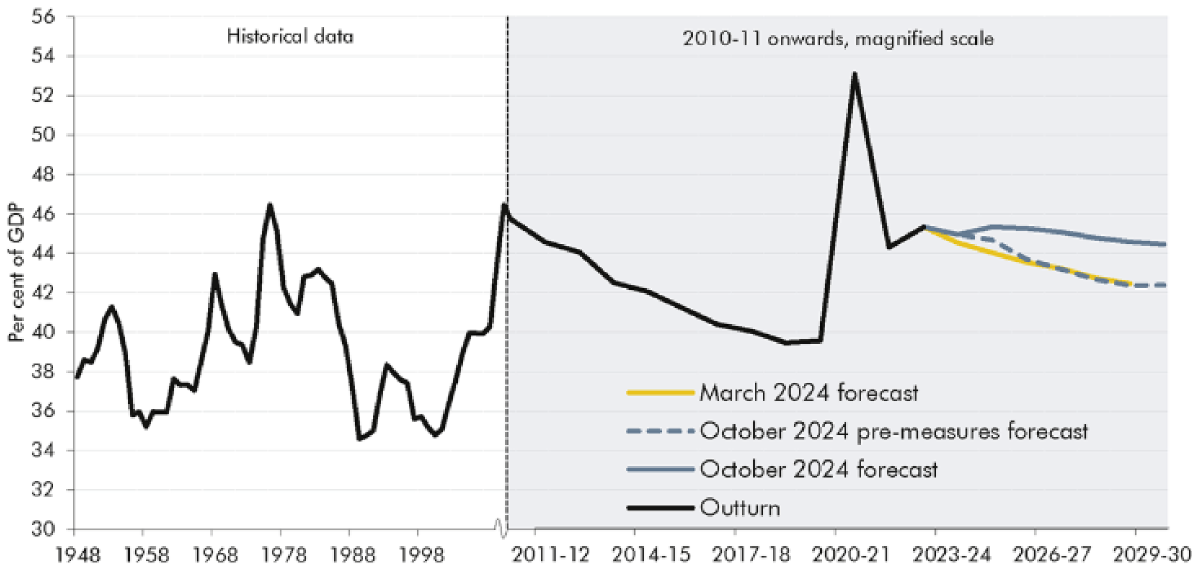
Graph 3 Public Sector Net Borrowing



Source: ONS, OBR

50. Graph 4 shows that public spending as a share of GDP is expected to rise from 44.9% last year to 45.3% in 2024 but then fall back to 44.5% in 2029/30. This will still be at a level around 5% higher than was the case prior to the pandemic and higher than forecast back in March due to higher debt interest payments alongside additional compensation schemes linked to the Post Office Horizon and infected blood payments. But of particular note is that the reason that the rate will decline over later years of the forecast is as a result of Government departmental expenditure limits growing at a slower rate than the economy.

Graph 4 Public Spend as a % of GDP

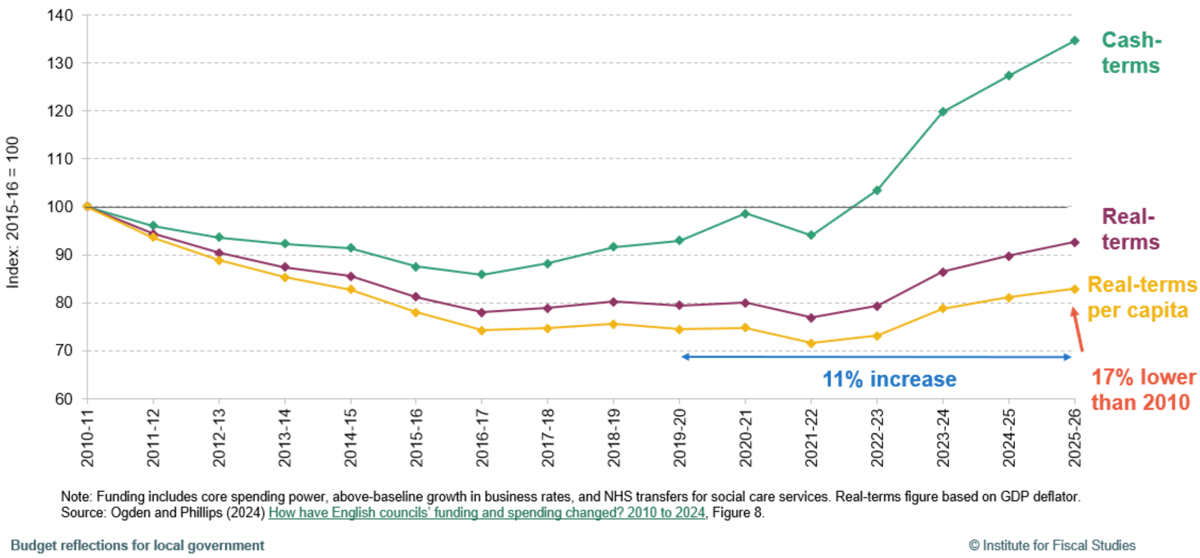


Source: ONS, OBR

51. The Economic climate the Government is operating in will continue to be challenging in the Medium Term and there are few signs of any significant help

for Local Government. Graph 5 below is an analysis by the Institute of Fiscal studies that shows the overall funding position for Local Government as a whole. In real terms, funding per capita, that is 19% lower in real terms than in 2010 in the current year will only increase to 17% below based on the latest budget plans

Graph 5 Real terms changes in Local Government Funding



Local Government Finance Settlement

52. The 2025/26 provisional Local Government Finance Settlement is due to be released later in December 2024 (around 18th/19th). Local Government legislation will require a period of consultation on the announcement of usually around four weeks, prior to a debate on the Settlement in the House of Commons.

53. The 2025/26 Settlement will only provide details for one year, pending the Spending Review which is expected to complete by June 2025.

54. The MTFS is based on the following assumptions:

- The County Council will receive around £11m additional funding in 2025/26 for Social Care than assumed in the 2024-28 MTFS. This comprises:
  – £5m funding received in 2024/25 that was assumed as being one-off, but has now been confirmed as ongoing.
  – £4.5m additional social care funding announced in the Autumn statement
  – £1.3m additional children's social care funding – matched by additional spend.
- Core Council Tax increases of 2.99% in 2025/26.
- The flexibility for the Adult Social Care precept will be taken to provide an increase of 2% in 2025/26 giving a total increase of 4.99%.
- In the absence of government guidance for 2026/27 and later years a total (core council tax plus ASC precept) of 2.99% is assumed.

- No changes to the current Business Rates retention scheme for 2025/26; a "reset" is now assumed in 2026/27. Additional section 31 grant is expected to be received to offset the effects of the 2023 revaluation, the freezing of the small business rates multiplier and the continuation of discounts and reliefs to some sectors.
- Specific grants are not reduced by the awarding Government department.
- The Council will receive compensation to match the impact of the Government's changes to National Insurance from April 2025 on its own pay bill, estimated to be around £5m. The additional costs arising from the impact of the changes on social care and other service providers and suppliers are assumed to not be covered by the compensation from the Government and have been reflected in the central inflation contingency.
- The Statutory Override for the Dedicated Schools Grant (DSG) continues

55. These assumptions will be reviewed and updated as appropriate based on the provisional Settlement.

56. Funding for services received through specific grants is not covered by the Settlement, for example: High Needs funding (Dedicated Schools Grant), the Better Care Fund, Public Health Grant and all capital grants. Some amounts for 2025/26 may not be confirmed in the current financial year and the ongoing implications are subject to significant uncertainty.

Spending Power

57. The Government uses a measure of core spending power in assessing an authority's financial position. The County Council's historic annual core spending power from the 2024/25 Settlement is shown below. The key thing to note is that over this period Revenue Support Grant (RSG) had disappeared completely by 2019/20 compared to a figure of £56m in 2015/16; in 2013/14 RSG was £81m.

58. In compensation for these reductions, additional specific funding streams have increased.

Core Spending Power table (since 2015/16) Leicestershire County Council

	15/16 £m		20/21 £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m
Settlement Funding Assessment: RSG	56.2		0.0	0.0	0.0	0.0	0.0
Settlement Funding: Business Rates	60.5		64.4	65.1	68.2	75.1	80.0
Council Tax	233.4		319.3	336.9	351.6	374.1	397.8
Improved BCF	0.0		17.2	17.2	17.7	17.7	17.7
New Homes Bonus	3.3		3.7	2.6	2.1	1.2	1.0
Social Care Grant	0.0		13.0	14.2	19.9	33.2	43.7
Market Sustainability	0.0		0.0	0.0	1.6	5.7	10.6
ASC Discharge Fund	0.0		0.0	0.0	0.0	2.5	4.1
Services Grant	0.0		0.0	0.0	4.3	2.5	0.4
Grants rolled in[1]	1.0		1.2	1.2	1.2	3.7	0.0
Core Spending Power	354.4		418.8	437.2	466.6	515.8	555.3

[1] 15/16 to 22/23 £1.2m Independent Living Fund grant – forms part of Social Care Grant from 2023/24. £3.7m in 23/24 relates to a second tranche of Market Sustainability grant, which is rolled into that grant line in 24/25.
[2] 2015/16 has been the base comparator year used by central government to compare changes

59. The table shows that 'core spending power' increased in cash terms by £201m (57%) from 2015/16 to 2024/25. However, most of that increase relates to Council Tax which had increased by £164m (a 70% increase), while Business Rates showed a 32% increase and Government grant only 20%. With inflation historically running at circa 3% each year, rising above 10% in 2022/23 and averaging 5.7% in 2023/24 and 2.1% so far in 2024/25, the overall 55% increase represents a relatively small real terms increase but provides little allowance for increasing populations, the above inflation increases to the National Living Wage and, most significantly, the increasing service demands local authorities are facing especially around social care services. This is particularly difficult for Leicestershire which continues to be an area of one of the fastest growing populations nationally.

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

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

62. Given that local government has only had single year settlements since 2019/20 and the impending Spending Review in 2025 there are still significant risks due to the uncertainty of future funding levels.

63. The County Council has been historically underfunded in comparison with other authorities, including other counties, and has for some years been running a campaign to raise awareness of this and to influence the outcome of Government funding reforms. If Leicestershire as an area was funded at the same level as Derbyshire it would be £97m per year better off, or if funded at the same level as Nottinghamshire, £107m.

Business Rates

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

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

66. The proposed MTFS includes an assumption that the total of the baseline, top up and section 31 grant elements will be increased by 1.7% in 2024/25, in line with the CPI in September 2024. and that the increase will be partly received in the form of additional section 31 grant from the Government, as the Chancellor of the Exchequer has frozen the “poundage” charged to “small” businesses for 2025/26 at 2023/24 levels and has also extended reliefs to some sectors of the economy.

67. A forecast of £1m real terms growth in Business Rates in 2025/26 has been assumed in addition to the inflationary increase above.

68. The previous Government had indicated its intention for a full reset of baselines in 2020/21 but this was postponed until 2021/22 and, due to the pandemic was deferred again until 2022/23. The Local Government Finance Settlement in December 2022 confirmed that the reset would be deferred again until at least 2025/26. When the reset does take place, it will result in councils losing their share of accumulated growth. For the County Council this is projected to amount to around £10m per annum, and the income to the Leicester and Leicestershire Business Rates Pool (of which the County Council would receive around a third, subject to agreement of the Pool members) would reduce by circa £24m.

69. The Government introduced the Business Rates Retention System from April 2013 and as part of these changes local authorities were able to enter into Pools for levy and safety net purposes. Net surpluses are retained locally rather than being returned to the Government as would have been the case if no Pool had existed. The current pooling agreement allows for the surplus to be shared between the County Council, Leicester City Council and the seven District Councils. An estimate of £8m has been included in 2025/26 for the County Council’s share of that year’s levies, which forms part of the figure of £23.6m shown as the budgeted contribution to the earmarked reserves, to be used for economic priorities.

70. In total £92m has been retained in Leicestershire between 2013/14 and 2023/24, due to the success of the Business Rates Pool, with a further potential surplus for the pool of £22.1m forecast in 2024/25.

71. The partners will decide in January 2025 on whether to continue with the Pool in 2025/26. Due to the level of accumulated surplus, continued pooling in 2025/26 is expected to remain beneficial compared to not being in a pool, despite the wider economic challenges.

Council Tax

72. The Localism Act 2011 provides for referendums on any proposed increase in Council Tax which is defined as excessive (using definitions prescribed by central Government) which effectively gives a power of veto. A cap on the core increase of 3% is permitted for County Councils for 2025/26. In addition, they will be permitted to raise an additional 2% to fund adult social care (the adult social care precept).

73. The most financially significant decision of any budget is usually the level that Council Tax will be increased by. This is not just a consideration for the current

year, it affects the level of income available ad infinitum. Every 1% Council Tax is increased by is worth £4.0m to the County Council. The 2025/26 draft budget assumes a 4.99% increase, which will raise £20m in additional income and would cost each household in a band D property the following:

Council Tax (Band D Property)	Main (Core)	ASC Precept	Total
Increase	2.99%	2.00%	4.99%
Cost Per Week	£0.92	£0.62	£1.54

74. This contributes significantly towards achieving a balanced budget. If this increase was not taken more service cuts would be the inevitable consequence and the Council's taxbase would be permanently reduced, impacting the MTFS position for many years.

75. The Government has indicated that it will require local authorities to adjust the presentation of the adult social care precept on council tax bills from 2025/26, so that they show a single line for the council tax increase set by social care authorities. This will simplify bills received by billpayers and also provide clarity on the total council tax increases set by local authorities.

76. The draft MTFS is based on a Council Tax increase of 2.99% in 2026/27 and in each subsequent year. Subject to future Government policy there may be scope to raise additional amounts for both the core Council Tax and for the Adult Social Care precept in the subsequent years, but that would need to be assessed by the Council in light of the revised position in each refresh of the MTFS in future years.

77. Council Tax base growth for 2025/26 appears to be lower than anticipated in the current MTFS (1.5%) and the draft MTFS assumes increases of 1.1% in 2025/26 and 1.5% in subsequent years. Provisions will be reviewed when the 2025/26 tax bases and collection fund forecasts have been received from the district councils in January 2025. Any changes will be reflected in the report to the Cabinet on 7 February 2025.

Budget Consultation

78. The County Council undertakes an annual consultation on the draft budget. The results of this consultation will be reported to the Cabinet meeting on 7 February 2025. Information is available on the County Council's website http://www.leicestershire.gov.uk/budget-pressures-find-out-more. The consultation period runs from 18 December 2024 until 19 January 2025. During that time comments on the Council's budget proposals can be submitted.

79. As well as an annual consultation on the draft budget, it is important periodically to assess the views of the public, staff and stakeholders to inform the County Council's future financial priorities. The strategic plan is being refreshed next year and the intention is to undertake a largescale consultation incorporating the

Strategic Plan and the MTFS to ensure views of stakeholders continue to influence the Council's future direction of travel.

2025/26 - 2028/29 Budget

80. The provisional detailed four-year MTFS, excluding Dedicated Schools Grant (DSG), is set out in Appendix A and is summarised in the table below. The provisional 2025/26 budget excluding DSG is detailed in Appendix B.

Provisional Budget	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Services including inflation	571.7	606.4	646.5	690.7
Add growth	27.0	27.0	27.0	28.2
Less savings	-14.0	-9.3	-5.6	-4.6
	584.7	624.1	667.9	714.3
Central Items	6.6	10.2	13.1	15.5
Add growth	0.0	0.0	0.0	0.0
Less savings	0.0	0.0	0.0	0.0
	591.3	634.3	681.0	729.8
Contributions to/from:				
Budget Equalisation earmarked reserve	23.6	9.7	8.8	11.6
General Fund	1.0	1.0	1.0	1.0
Total Spending	**615.9**	**645.0**	**690.8**	**742.4**
Funding				
Business Rates	-103.2	-86.7	-88.2	-89.6
Council Tax	-424.9	-442.0	-462.0	-483.0
Central Grants	-81.5	-74.2	-74.2	-74.2
Total Funding	**-609.6**	**-602.9**	**-624.4**	**-646.8**
Shortfall	**6.3**	**42.1**	**66.4**	**95.6**

81. The MTFS shows a shortfall of £6.3m in 2025/26, which at this stage is assumed will need to be met by a transfer from the Budget Equalisation earmarked reserve. There are shortfalls of £42m in 2026/27 rising to £96m in 2028/29. As set out in the following section there is a range of initiatives currently being developed that will aim to bridge the gap.

82. The Council maintains a range of earmarked reserves which are held to cover identified risks or for specific future projects. The Budget Equalisation reserve is held as contingency for the risks and uncertainties in the Medium-Term Financial Strategy and to smooth the impact of budget gaps across the strategy. Given the significant gap exceeding £42m in the MTFS from 2026/27 it is even more important that this reserve retains at least sufficient balance to cover that gap in the event that newly identified savings have a longer implementation time. After accounting for the £6.3m required for the 2025/26 gap, this reserve does have a sufficient balance to fund the gap currently forecast for 2026/27 but this would

only be called upon if other mitigations are not successful or take longer to deliver. The use of reserves to balance the budget gap is not a sustainable position and so urgent attention will need to be given to identifying further savings or income generation opportunities that can be delivered from 2026/27 onwards.

Savings and Transformation

83. The Council is not optimistic that additional government funding may be made available to reduce the gaps outlined in the previous paragraph, so it is clear that significant additional savings or income generation options will still be required on top of the £33m that have been identified, £14m of which are to be made in 2025/26.

84. This is a challenging task, especially given that savings of £276m have already been delivered over the last fifteen years. This was initially driven by the real term's reduction in Government grants, which is in excess of £100m since 2010. In recent years, service demand pressures have become the main driver.

85. The identified savings are shown in Appendix C and further detail of all savings will be set out in the reports to the Overview and Scrutiny Committees in January 2025. The main proposed four-year savings are:

- Children and Family Services (£16.9m). This includes savings of £0.9m and £12.7m from the second and third phases of the defining CFS for the future programme, £2m from the innovation partnership and £1m from reduced care costs through growth of internal family-based placements.
- Adults and Communities (£8.3m). This includes £4.0m from increased Better Care Fund income and £0.6m from alternatives to homecare.
- Public Health (£0.1m) from the review and redesign of several service areas.
- Environment and Transport (£4.5m). Savings include £2.0m from the assisted transport programme.
- Chief Executive's Department (£0.3m). This includes savings from reviews of several service areas and additional income.
- Corporate Resources (£3.2m). This includes savings of £0.7m from ICT efficiencies, £0.7m from the ways of working office programme and £0.5m from the customer and digital programme.

86. Of the £33m identified savings, efficiency savings and additional income accounts for £32m, and can be grouped into four main types:

a) Service re-design and delivery (£10m)
b) Better commissioning and procurement (£13m)
c) Other (£1m)
d) Additional Income (£8m)

87. Further savings or additional funding will be required to close the budget shortfall of £42m in 2026/27 rising to £96m in 2028/29.

88. It is estimated that the overall savings requirement could lead to a reduction of around 200 posts (full time equivalents) over the four-year period. However, it is expected that the number of compulsory redundancies will be much lower, given the scope to manage the position over the period through staff turnover and vacancy control. Demand management in the Council's social care services will be critical to achieving a balanced MTFS and may help minimise the impact on employees.

89. To help bridge the gap several initiatives are being investigated to generate further savings. Outlines of the proposals have been included as Appendix D, Savings under Development. Once business cases have been completed and appropriate consultation and assessment processes undertaken, savings will be confirmed and included in a future MTFS. This is not a definitive list of all potential savings over the next four-years, just the current ideas.

90. The development and ultimate achievement of these savings was already challenging, following more than a decade of austerity. The pandemic increased the difficulty of delivery even further by: increasing the urgency of delivery; creating new pressures to be resolved; and reducing people's capacity to work on savings. The current economic situation is leading to an even greater challenge due to the impact of inflation on the Council's finances. Whilst inflation is now falling, the previous high levels are now baked into the Council's cost base and so will have a long term impact.

91. The MTFS also includes the High Needs Block Development Plan which is reducing costs through increasing local provision of places, practice improvements and demand reduction initiatives. The aim of the programme is to ensure that the expenditure can be contained within the allocation through the Dedicated Schools Grant. Savings of £52m are planned over the MTFS period.

92. Despite these savings, the High Needs Block deficit continues to grow and is an increasing concern, especially as the government has not yet set out any plans to extend the Statutory Override beyond March 2026 or announced any alternative proposals. Government's plans for the future of the Statutory Override are expected to be disclosed at the provisional Settlement in December. Further details are provided in the Dedicated Schools Grants section of the report below.

Closing the budget gap over the medium term

93. It is clear that the Council, like many other local authorities, faces a significant financial challenge, and urgent attention will need to be paid to identifying further savings or income generation options to close the gap over the medium term. Whilst reserves are likely to be needed again to close the budget shortfall for 2025/26, this is only a short-term measure and with a growing financial gap in future years this is not a sustainable approach to balancing the budget.

94. The Council's strategic change portfolio currently encompasses more than 150 change initiatives, projects and programmes of varying size, scale, and complexity. These initiatives collectively contribute to meeting the savings targets outlined in the existing MTFS but will need to go further, identifying, designing and implementing additional opportunities for change.

95. To help bridge the gap several initiatives are being investigated to generate further savings or income generation and these are being prioritised to ensure that Council resources are focused on the initiatives that will have the greatest impact. The activity already underway can be broadly categorised as:
    - Progressing significant cross cutting initiatives – Sustainable Support Services, Prevention, and Customer Programme
    - Savings Under Development (outlined below)
    - Focus on demand management – given that a significant proportion of growth in the MTFS comes from increase demand for services, ways to reduce that demand in the future will be pivotal, particularly in social care
    - Income generation
    - Spend Controls – escalated operational controls remain in place to ensure robust financial management

96. Outlines of the Savings Under Development have been included as Appendix D. Once business cases have been completed and appropriate consultation and assessment processes undertaken, savings will be confirmed and included in a future MTFS. This is not a definitive list of all potential savings over the next four years, just the current ideas being developed.

97. The development and ultimate achievement of these savings was already challenging, following more than a decade of austerity, which has now been exacerbated by impact of inflation on the Council's finances. It is unlikely that the Savings Under Development at Appendix D will be sufficient to close the current forecast gap of £96m even if they are all achieved to their maximum potential.

98. It is expected that the strategy to close the budget gap and ensure the Council remains financially sustainable will need to go wider than transformation of services and focus on the following activity:

    - Service Redesign and review of policies to focus on essential spend
    - Reassessing Council priorities, refreshing the Strategic Plan alongside the MTFS to focus spend on the services that are most important to residents and ensure it can adapt to any changes from the Spending Review in 2025.
    - Effective procurement, a root and branch review of how the Council spends its money and efficiency expectations on suppliers of goods and services.
    - Spend Controls – further escalations to tighten corporate oversight on spending
    - Work with partners to ensure service responsibilities and funding are aligned

99. There are some specific actions that will be undertaken in the Spring of 2025 to move forward delivery of the MTFS. These include:
    - Refresh of the Strategic Plan
    - Agree realistic savings targets for the cross-cutting workstreams set out above
    - Plan the full public consultation on the Strategic Plan and MTFS in early summer 2025

- Complete a review and prioritisation of the Transformation Programme with external support to identify areas that could be targeted.
- Redesign the oversight process to ensure effective challenge of the MTFS process and Directorate spending plans is in place
- Fundamental review of the Capital Programme and financing strategy
- Robust control of external cost drivers

100. As mentioned above, several substantial cross-cutting change programmes are in progress to enhance the efficiency of the Council.
    - The Prevention Review programme involves a systemic examination of prevention activities undertaken across the Council and its partners, aiming to reduce unnecessary expenditures and alleviate demand on higher-cost services. The Council is currently procuring external support for this programme given its scale and complexity.
    - The Customer programme focuses on streamlining and modernizing customer contact through improved practices, automation and technology.
    - The Sustainable Support Services Programme will ensure the optimal allocation of internal support resources and processes to enhance compliance and reduce costs. This is currently focusing on the Children and Families service before being expanded to other areas.

101. There will need to be a renewed focus on these programmes during the next few months to ensure that savings are identified and delivered to support the 2026/27 budget gap. Given the scale of the financial challenge, focus will be needed to prioritise resources on the change initiatives that will have the greatest impact, and work is already underway to do this.

Financial Control Measures

102. Given the increasingly challenging financial outlook there is a continuing need to ensure that financial controls are tightly operated and additional measures introduced to restrict expenditure.

103. Escalated financial controls have been in place since December 2023 and include:

- Recruitment
- Use of Agency staff
- Overtime
- Mobile phones
- Establishment of a Corporate Procurement Board
- Grant funding
- A range of other non-essential spend including use of consultants, advertising and promotions, conferences, travel/subsistence and levels of stock holdings

104. These controls enabled savings to be achieved for the 2023/24 outturn position and a review of underspends across non-essential spend budgets has been undertaken to identify long term savings options. These have then been included in the refreshed MTFS.

105. These controls will be kept under review and consideration will be given to stepping them up or down as required, subject to the Council's financial position and expected reliance on reserves.

Growth

106. Over the period of the MTFS, growth of £109m is required to meet demand and service pressures with £27m required in 2025/26. The main elements of growth are:

- Children and Family Services (£56.9m). This is mainly due to £44.5m for pressures on the Social Care placements budget arising from increased numbers of Looked After Children, and £11.2m for unaccompanied asylum seeking children, from increased demand and cost pressures.
- Adult Social Care (£14.7m). This is largely the result of an ageing population with increasing care needs and increasing numbers of people with learning disabilities and mental health issues.
- Environment and Transport (£21.0m). This mainly relates to increased service user numbers and costs for Special Educational Needs (SEN) transport (£9.6m), the anticipated costs of the introduction of an emissions trading scheme (£6m), highway maintenance increased requirements (£2.2m) and increased requitements for mainstream school transport (£1.2m).
- Corporate Resources (£0.5m) for ICT cyber security.
- Corporate Growth (£16.0m). This has been included to act as a contingency for potential further cost pressures in the later years of the MTFS. The amount has been set based upon historic levels of growth incurred. The contingency reflects that it is not possible to specifically identify all of the growth before the first year of a four-year MTFS.

107. Details of proposed growth to meet spending pressures are shown in Appendix E.

Inflation

108. The Government's preferred measure of inflation is the CPI. In October 2024 this was 2.3%. The Office for Budget Responsibility (OBR) expects inflation to increase to 2.6% in 2025/26 and then decrease to 2.2% in 2026/27, 2.1% in 2027/28 and 2028/29 and then to match the 2% target in 2029/30.

109. However, the Council's cost base does not always reflect CPI. Energy and fuel increases, for example, have a much more significant impact. The draft MTFS therefore assumes 3% per annum in each year.

110. The impact of the NLW, set out earlier in the report, is particularly significant.. In recent years social care costs have been driven up by its continued increases, for which an additional provision has been made. The NLW also has a significant impact on the Council's pay costs.

111. The main local government pay awards in 2024/25 have been based on full-time staff receiving an increase of £1,290 up to Grade 13. This equates to a range of

increases from 5.77% increase for staff on the first Grade to 2.54% for staff at the top of Grade 13. Staff on Grades 14 and above have received an increase of 2.5%. The average across the whole pay scale is around 3.9%. The MTFS provides for an estimated average pay award increase of 3.5% in 2025/26, with higher percentage increases in lower grades. The MTFS assumes average increases of 3.5% in 2026/27 and later years.

112. It is of note that the remit of the Low Pay Commission has been expanded beyond simply setting the NLW as a floor of two-thirds of median hourly earnings. The remit now includes recognising the importance of boosting low earnings, creating the potential for increases to exceed the floor. The government will create a body to set pay and conditions for adult social care staff in England should its Employment Rights Bill become law, alongside a raft of more general employment reforms. Both of these interventions are expected to increase costs above the level in the MTFS and no funding have been identified by government.

113. National Insurance changes from April 2025 will impact on both the Council's own pay bill and the charges from service providers and suppliers. The Government will provide some compensation for the impact on the Council's pay bill but details have not been provided at this stage. The increased costs from providers and suppliers will have to be met by Council and provision has been made in the central inflation contingency for this additional cost.

114. The Leicestershire Local Government Pension Scheme (LGPS) is currently preparing for its next triennial actuarial assessment which will set rates from 2026/27. Whilst it is too early to give any clear steer on the outcome of the exercise, it is hoped that the improved funding position of the fund will enable some level of reduction in the Council's contribution rate. The position will be reviewed in future MTFS refresh exercises.

115. Detailed service budgets for 2025/26 are compiled on the basis of no pay or price increases. A central contingency for inflation is to be held, which will be allocated to services as necessary.

Central Items

116. Interest income relating to Treasury Management investments is budgeted at £13.0m in 2025/26 and is estimated to reduce to £9.5m in 2026/27, £7.5m in 2027/28 and £6.5m in 2028/29, as balances are reduced to fund internal borrowing for the capital programme and interest rates are expected to fall. Whilst the Council has benefitted, and continues to benefit, from high interest rates, this will reduce in later years of the MTFS.

117. Capital financing costs are budgeted at £16.6m in 2025/26 and are expected to rise to £16.9m in 2026/27, £17.8m in 2027/28 and £19.3m in 2028/29, as a result of the increasing financing requirement for the capital programme.

118. Central grant income in the 2024/25 budget totalled £69.9m. The projected total of £81.6m in 2025/26 reflects the following changes:

- £6.3m from a new Extended Producer Responsibility (EPR) grant.
- £4.5m additional Social Care Grant – assumption of allocation from £600m additional SCG funding announced in October 2024 Budget.
- £1.2m assumption of allocation from a new £250m Children's Social Care grant.
- (£0.4m) reduction to the Services Grant (grant assumed to be removed).

119. The 2025 Local Government Finance Settlement should give more details on these grants. 2025/26 will be the first year of the EPR scheme and the grant allocation is significantly more than was expected. Officers are assessing whether there are any costs associated with the new legislation, and grant conditions have not yet been released. The funding is only guaranteed for 2025/26, and so the allocation has been treated as one-off pending further information, particularly in relation to how it will be considered in the upcoming Spending Review. The level of EPR is expected to fall significantly in future years as producers adapt their products in response to the regulations.

Health and Social Care Integration

Better Care Fund (BCF)

120. Health and Social Care Integration continues to be a national government priority. Developing effective ways to co-ordinate care and integrate services around the person and provide more of this care in community settings are seen nationally and locally as key to improving outcomes and ensuring high quality and sustainable services for the future.

121. The Council has received funding from the NHS through the Better Care Fund (BCF) since 2015/16 in line with levels determined by Government. The BCF's purpose is to help the Council finance the delivery and transformation of integrated health and care services to the residents of Leicestershire, in conjunction with NHS partners.

122. The BCF policy framework and planning requirements are refreshed regularly and may cover one year or a number of years. The Department of Health and Social Care (DHSC) and the Department for Levelling Up, Housing and Communities (DLUHC) published a two-year policy framework for the implementation of the BCF in 2023/24 and 2024/25 on 4 April 2023.

123. The four national conditions set by the Government in the BCF policy framework for 2023/25 are:

    1. Plans to be jointly agreed.
    2. Enabling people to stay well, safe and independent at home for longer.
    3. Provide the right care in the right place at the right time.
    4. Maintaining NHS's contribution to adult social care and investment in NHS commissioned out of hospital services.

124. The policy framework was updated in April 2024 to confirm funding allocations and metrics required. This required updated plans for 2024-25 to be submitted

and confirmed funding conditions specific to the Adult Social Care Discharge Fund.

125. The Adult Social Care Discharge Fund which was announced in September 2022 has continued to date and is now part of local BCF plans (as required by the grant conditions) and Section 75 agreements which are the agreements between the NHS and the Council underpinning the pooling.

126. The value of BCF funding for Leicestershire in 2024/25 is shown in the table below. The funding for 2025/26 has not yet been announced.

	2024/25 £m	
NHS Minimum Allocation	51.5	Level mandated by NHS England
Discharge Fund	8.5	Allocated to both ICBs and local authorities to support safe and timely discharge from hospitals
IBCF	17.7	Allocated to local authorities, specifically to meet social care need and assist with alleviating pressures on the NHS, with emphasis on improving hospital discharge, and stabilising the social care provider market.
Disabled Facilities Grant	4.8	Passed to district councils
Total BCF Plan	**82.5**	

127. In 2024/25, £22.9m of the NHS minimum allocation into the BCF will be used to sustain adult social care services. The national conditions of the BCF require a certain level of expenditure to be allocated for this purpose. This funding has been crucial in ensuring the Council can maintain a balanced budget, while ensuring that some of its most vulnerable users are protected; unnecessary hospital admissions are avoided; and the good performance on delayed transfers of care from hospital is maintained.

128. In addition to the required level of funding for sustaining social care service provision, in 2024/25 a further £7.9m of Leicestershire's BCF funding has been allocated for social care commissioned services. These services are aimed at improving carers' health and wellbeing, safeguarding, mental health discharge, dementia support and crisis response.

129. The balance of the NHS Minimum Allocation £20.7m is allocated for NHS commissioned out-of-hospital services. The County Council commissions community care services on behalf of the NHS through shared care and joint funding arrangements. The Council is reviewing these arrangements alongside the provision of Continuing Health care and Funded Nursing care to ensure residents are receiving optimal care and it is funded appropriately.

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

Other Grants and Funds

131. There are a number of other specific grants included in the MTFS, most of which are still to be announced for 2025/26, for example:

- Public Health – estimated £28.3m.
- Asylum Seekers – estimated £8.5m.
- Pupil Premium – estimated £5.1m.
- Education & Skills Funding Agency – estimated £4.1m.
- Universal Infant Free School Meals – estimated £2.3m.
- Music Education Hubs Grants – estimated £1.5m.
- Troubled Families – estimated £1.4m.
- PE and Sports – estimated £1.4m.
- Domestic Abuse – estimated £1.2m.
- Bus Service Improvement Plans – estimated £4.4m.
- Household Support Fund – estimated £6.5m.

Dedicated Schools Grant Settlement 2025/26

Schools Block

132. School funding remains delivered by the National Funding Formula (NFF) which funds all pupils at the same rate irrespective of the authority in which they are educated. The NFF uses pupil characteristics each with a nationally set funding rate to generate school level funding to local authorities, as such all local authorities are funded equally. However, within the NFF only the per pupil entitlement is universal to all pupils with other factors reflecting the incidence of additional pupil needs such as deprivation and low prior attainment. Whilst all authorities are funded equally, funding levels between local authorities and individual schools within those local authorities vary purely as a result of the proportion of pupils with additional needs. Nationally basic per pupil funding accounts for 74.6%, additional needs 17.8% and school led & premises funding 7.6% of the NFF.

133. The DfE has taken further steps towards the full implementation of the NFF in 2025/26 by requiring local authorities to be within + /- 2.5% of the nationally set NFF levels and only use these factors within their local funding formula. This has required Leicestershire to seek permission to continue to fund rental costs in some small schools and maintain the approach to funding schools undertaking and affected by age range changes by adjusting pupil numbers which has been in place since 2013. With these exceptions, assuming approval from the DfE, the Leicestershire funding formula remains fully in accordance with the NFF.

134. Approval for a transfer of funding from the Schools Block to the High Needs Block of the Dedicated Schools Grant (DSG) has been sought from the Secretary of State. It is uncertain when a decision will be made but will be required in order to submit school budgets to the ESFA for validation in late January.

135. The 2025/26 Schools Block provisional DSG settlement is £560.9m, an increase of 2.18%. The provisional allocation is based upon the 2023 October school

census. The settlement will be updated to the October 2024 school census and reissued within the next month.

136. Whilst the NFF for schools is based upon the 2024 School Census, funding for local authorities is based upon the pupil characteristics recorded in the 2023 school census. Any increase in pupils eligible for additional funding, i.e. free school meals is unfunded and as for 202425 may result in it not being possible to meet the cost of fully delivering the NFF from the Schools Block DSG. This impact will be reviewed once data from the 2024 Census has been received. The national regulations allow for an adjustment to the Minimum Funding Guarantee which can be used in conjunction with capping and scaling within the school funding formula to ensure the budgets for schools are affordable within the Schools Block DSG.

137. Nationally the per pupil increase for 2025/26 is +2.23% per pupil and includes provision for the full year cost of the 2024 Teacher pay award. The overall increase for Leicestershire schools is +1.88% for primary and +3.36% per secondary pupil and will be reduced further should the transfer of funding from the schools to high needs block be approved. Primary schools will receive a minimum of £4,955 per pupil and Secondary schools £6,465, the minimum per pupil funding level is mandatory and a school’s block transfer cannot reduce funding below this level. 37 primary schools and 9 secondary school are expected to be funded at the funding floor (2024/25 34 primary and 1 secondary) respectively leaving them vulnerable to changes in future levels of DfE protection. As the funding guarantee is at a per pupil level, schools with decreases in pupil numbers will see an overall decrease in budget allocation.

138. Additionally, within the Schools Block, but separate to funding for individual schools, local authorities receive funding for the initial revenue costs of commissioning additional primary and secondary school places. For 2025/26. This grant is unconfirmed.

<u>High Needs</u>

139. Nationally High Needs funding is increased by £1bn. £480m of the increase is targeted at meeting the cost of the 2024 Teachers’ pay award and is outside the DSG settlement and will be paid to providers through a separate grant, full details of this have yet to be issued by the DfE. The remaining £520m delivers a minimum 7% increase per head of population and a rise of £7.3m from 2024/25 The increase within the provisional settlement of £115.8m is in line with forecasts. However, it should be noted that the population factor accounts for just £43.8m (38%) of the settlement figure meaning that 62% of the formula, and funding for special schools, is subject to no uplift unlike the schools NFF where all funding factors have been increased for 2025/26.

140. Leicestershire remains at the funding floor, i.e. the application of the high needs NFF would generate a lower settlement without this protection. The NFF remains unresponsive to changes in the overall SEN population and does not take into account the number of children and young people with an Education, Health and Care Plan (EHCP):

- £10.1m (9%) of the NFF is driven by the number pupils in special school and independent school places
- £30.1m (26%) of the formula relates to historic spend from 2017/18.
- £2.8m (2%) of the formula is from the funding floor.

141. Future government policy in respect of SEND has yet to be confirmed. However, the Policy Note that presents the 2025/26 funding arrangements sets out that the DfE are working on arrange of reforms which will establish a mainstream school and college environment that in more inclusive for children and young people who require specialist SEND support. There is no indication of whether the high needs NFF will be reviewed.

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

	2025/26 £,000	2026/27 £,000	2027/28 £,000	2028/29 £,000
Grant Income	-116,472	-119,945	-123,521	-127,205
Placement Costs	133,176	147,214	163,382	181,901
Other HNB Cost	12,265	12,865	12,865	12,865
Pre-Opening Costs - New Places	0	264	236	0
Schools Block Transfer	-2,600	-2,600	-2,600	-2,600
SEND Investment Fund	2,600	2,600	2,600	2,600
Total Expenditure	**145,441**	**160,343**	**176,483**	**194,766**
Funding Gap Pre Savings	**28,969**	**40,399**	**52,961**	**67,560**
TSIL Programme Defined Opportunities	-12,384	-20,034	-28,018	-34,237
Increase in Local Specialist Places	-389	-4,252	-11,193	-14,486
SEND Investment Fund - Return on Investment	0	-2,600	-2,970	-3,360
Total Savings	**-12,773**	**-26,886**	**-42,180**	**-52,083**
Annual Revenue Funding Gap	**16,196**	**13,512**	**10,781**	**15,477**
2019/20 Deficit Brought Forward	**7,062**			
2020/21 High Needs Deficit Brought Forward	**10,423**			
2021/22 High Needs Deficit Brought Forward	**11,365**			
2022/23 High Needs Deficit Brought Forward	**6,683**			
2023/24 High Needs Deficit Brought Forward	**5,650**			
2024/25 Forecast High Needs Deficit Brought Forward	**22,930**			
Cumulative High Needs Funding Gap	**80,309**	**93,821**	**104,602**	**120,080**
Surplus (-ve) / Deficit Other DSG Blocks	-11,834	-10,834	-9,334	-7,334
Dedicated Schools Grant Surplus (-ve) / Deficit	**68,475**	**82,987**	**95,268**	**112,746**

High Needs Spend as % of High Needs DSG	**126%**	**134%**	**144%**	**154%**
Surplus / Deficit as % of Total DSG	**10%**	**11%**	**13%**	**15%**

143. Currently local authorities are required to carry forward DSG deficits in an unusable reserve through the continued use of a Statutory Accounts override and may only now contribute to DSG with the approval of the Secretary of State. The accounts override legislation is confirmed until March 2026 when it is expected to end. Unless further legislation changes this, from this point local authorities will be required to make financial provision for the deficit.

144. It is nationally recognised that additional funding alone will not address the financial difficulties, many of which are created by a system where school and parental expectations have a greater influence than a local authority assessment of needs, appropriate provision and affordability. It is clear that policy changes are needed. At the continued levels of expected growth, the position is completely unsustainable and puts the Council's finances in a very difficult position. As such it is essential that the planned measures to contain ongoing growth are successful, but additional measures put in place to reduce both demand and costs.

Central Services Block

145. The central services block funds a number of school-related expenditure items such as existing school-based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic costs. The provisional settlement is £4.4m for 2025/26.

146. The provisional settlement continues an annual reduction of 20% for the Historic Costs element of the settlement but a guarantee remains in place to ensure that funding does not decrease below the financial commitment to meet former teacher pension costs.

Early Years Block

147. No detail of 2025/26 early years funding settlement has been released. The October Budget set out additional £1.8bn of funding nationally to continue the expansion of childcare and provide high quality early education.

Earmarked Funds and Contingency

148. The General Fund balance is available for unforeseen risks that require short term funding. The forecast balance on the General Fund (non-earmarked fund) at the end of 2024/25 is £21m which represents 3.5% of the net budget (excluding schools' delegated budgets), this is a relatively low level compared to similar authorities. It is planned to increase the General Fund to £25m by the end of 2028/29 to reflect increasing uncertainty and risks over the medium term, and to avoid a reduction in the percentage of the net budget covered. These risks come in a variety of forms:

- Legal challenges such as judicial reviews that may result in a change in savings approach.
- Regulatory issues that come with a financial penalty, for example General Data Protection Regulations (GDPR).
- Service provision issues that require investment, for example the capital investment to support the High Needs Block Development Plan.
- Variability in income, particularly from asset investments.
- High levels of inflation.

149. To put the level of resources into context: with the exclusion of schools, the County Council spends nearly £70m a month.

150. The proposed MTFS also includes a contingency of £8m in each year for other specific key risks that could affect the financial position on an ongoing basis. Examples include:

- The non-achievement of savings.
- Uncertainty of partner funding, for example the provision of services through the BCF.
- Pressure on demand-led budgets particularly in social care.
- Maintaining the level of investment required to deliver savings.
- New service pressures that arise.
- No discretionary growth provided for.
- Risks around commercial services.
- Other one-off pressures.

151. If the contingency is not required resources will be directed to reducing the revenue gaps in later years.

152. Other earmarked reserves for revenue purposes (excluding schools' balances and partnerships) are held for specific purposes including insurance, change initiatives, severance costs, invest to save schemes and renewals of vehicles and equipment. Earmarked reserves are also held for capital purposes.

153. The type and forecast level of earmarked reserves, based on current information, is shown below.

Category of Reserve	**Forecast balance 31/3/25 (£m)**
Risk	106.8
Capital Projects	96.1
Revenue Projects	10.8
General	0.8
Partnerships	1.0
Ring-fenced Grants	9.1
DSG Deficit	(51.6)
Total forecast Earmarked Reserves	**173.0**

154. There is funding available within the budget equalisation reserve of £6.3m to offset the forecast 2025/26 MTFS budget deficit.

155. Grant Thornton, the County Council's external auditor, reviews the level of earmarked funds held by the County Council as part of its value for money review of the current MTFS. The latest available report, from 2023/24, reported no issues.

Adequacy of Earmarked Reserves and Robustness of Estimates

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

157. The financial environment continues to be challenging with a number of known major risks over the next few years as set out in this report.

158. When setting the MTFS prudent and realistic estimates have been used for core assumptions. The following table provides a summary of the impact of changes to those key assumptions:

Impact of (+ or -)	Likelihood	Equates to (+ or -)
1% Council Tax	Low	£4.0m
1% Business Rates growth	Medium	£0.6m
1% Pay award (excludes staff funded from specific grant, e.g. Dedicated Schools Grant, Public Health etc.)	Medium	£2.1m
1% Non-pay budget	Medium	£1.6m
1% ASC demand growth	Medium	£2.1m

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

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

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

Concluding Comments – Revenue Position

162. The draft MTFS shows a £6.3m gap in 2025/26 (subject to further issues such as the Local Government Settlement) which can be met from earmarked reserves. There is a financial gap of £42m in 2026/27 rising to £96m by 2028/29.

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

164. Funding uncertainties are predominately driven by Government and external factors. It is expected that some funding streams will reduce, for example the planned reset of the Business Rate Baseline will remove the benefit of growth. With the Spending Review due in 2025 and funding reform likely to progress at pace over the next year, the funding position beyond 2025/26 may look very different. The government's approach of increasing the focus on deprivation, for recent funding allocations, and not recognising other significant costs, such as rurality, is concerning. If funding reform is to be "fair" the historic inaccuracies in methodology need to be removed and important drivers of cost, such as rurality, given sufficient weight. The national public sector financial position is weak and if forecasts are to be believed this year will have been a comparatively generous settlement compared to what may come in the next Spending Review.

165. The Government has signalled its intention to undertake multiple reforms that will have a significant impact on Local Government. Some of these, such as the proposals for SEND and children's social care, are expected to reduce the cost of delivering services and will likely influence the funding reforms. Undertaking the volume of reforms proposed will be a challenge and success will depend on government's capacity to deal with this swiftly, especially if the new systems creates lots of winners and losers.

166. The reforms will create significant pressure locally to adapt to legislative changes and potentially a new level of funding. With the high level of uncertainty being faced the County Council needs to be in the best possible financial shape to deal with the inevitable challenges.

167. Cost growth manifests itself as either inflationary pressures or service growth. Service growth primarily relates to a growing and ageing population and a large increase in school-age children requiring support, which put huge demands on social care and SEND service. The Council is also seeing increased complexity in the type of care that is required which is further increasing costs.

168. Successful delivery of savings is dependent upon a range of factors, not all of which are in the control of the County Council. All savings included in the MTFS have had an initial deliverability assessment so that a realistic financial plan can be presented. With 2025/26 not forecast to be balanced there is less time to generate new savings and a lower margin of error on delivery. Identifying new savings will be a key activity a task made harder by the reduced options available.

169. In additional to these direct uncertainties the County Council is not insulated from financial difficulties of partner organisations. Currently the County Council's ongoing financial plans include £52m of funding related to the BCF. Even a partial loss of this funding would be difficult to manage.

170. Maintained schools and academies are under significant financial pressure; this could affect the County Council through its statutory responsibilities relating to education, for example to ensure the provision of sufficient school places. This pressure also increases the risk of lost commercial income, as schools and academies are the Authority's main commercial trading partner.

171. The growing deficit on the high needs budget/ DSG reserve, to £120m by the end of the MTFS period, is a major concern. Work through the transforming special needs and inclusion in Leicestershire (TSIL) programme will help but further actions will be required.

172. The focus on Leicestershire's finances over the past few years, including taking tough decisions on service reductions, has put the Council in a relatively sound position. It is even more essential now that the focus on medium term financial planning and strong financial discipline is maintained.

173. Despite continuing to be a high performing authority, it is inevitable that the constantly tightening financial position alongside dealing with significantly increasing demand will have an impact on services. The MTFS includes some planned reduction in non-core or underutilised services, but there is also potential for the delivery of key services to be impacted by events outside of the County Council's control, such as shortage of key skills, performance of partner organisations or weather events.

174. The national challenges with SEND are well publicised, and until growth abates allowing staffing and provision to meet demand backlogs will continue. The impact of social care capacity on the NHS is a national focus, but the impact goes both ways with higher levels of complexity faced at discharge alongside restricted funding for joint packages of care. This can result in challenges securing care packages at acceptable costs delay the required interventions.

175. The condition of roads has been recognised by successive governments as an area requiring significant investment. With DfT officials recently confirming the withdrawal of Network North funding and without multi-year certainty, the balance between planned and reactive maintenance is difficult to find. Therefore, there is the potential for conditions of local roads, whilst good comparatively against other authorities at the moment, to fall below resident expectations and to continue to deteriorate.

176. Whilst funding reform offers a degree of optimism until the Government's approach to rural areas is clarified the County Council will need to operate under the assumption that the twin difficulties of growing service demand in a constrained funding environment will continue. For the County Council to continue to be high performing resources will need to prioritised, productivity improvements sought across all services and any future investment decisions based upon sound evidence. It is likely that this will lead to a focus on good

delivery of existing services we new developments limited, unless specific funding is secured.

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

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

178. Before a further MTFS report is considered by the Cabinet on 7 February 2025 the provisional MTFS will be reviewed and the overall position will be updated in light of the response to the consultation, the latest budget monitoring position for 2024/25 and Government announcements, including the Local Government Finance Settlement.

Capital Programme 2025/26 to 2028/29

179. The overall approach to developing the capital programme has been based on the following key principles:

- To invest in priority areas of growth including roads, infrastructure, economic growth and to support delivery of essential services.
- No discretionary Capital schemes will be added to the programme unless fully funded by external sources.
- Capital schemes will only be added to the programme once a Business Case has been completed.
- To invest in projects that generate a positive revenue return (spend to save), Minimum return on investment for new schemes: 7% return (c.10 year payback)
- Passport Government capital grants received for key priorities for highways and education to those departments.
- No new forward funding of section 106 contributions.
- Maximise external sources of income including capital receipts, section106 housing developer contributions and bids to external funding agencies.
- No investment in capital schemes primarily for financial return where borrowing is required anywhere within the capital programme (in line with the Prudential Code).
- In exceptional circumstances limited prudential borrowing will be considered where needed to fund essential investment in service delivery.
- Through risk appraisal of new schemes, with adequate contingencies held

180. The draft capital programme totals £380m over the four years to 2028/29, shown in detail in Appendix F. The programme is funded by a combination of

Government grants, capital receipts, external contributions, revenue balances and earmarked funds.

181. The draft programme and funding are shown below.

Draft Capital Programme 2025-29

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Children and Family Services	40.9	21.9	16.9	3.5	83.1
Adults and Communities	5.9	5.5	5.5	4.9	21.7
Environment and Transport	68.8	39.9	22.1	25.6	156.4
Chief Executive's	0.1	0.1	0.0	0.0	0.2
Corporate Resources	2.8	1.8	3.4	1.7	9.7
Corporate Programme	11.6	25.9	28.2	42.9	108.5
Total	**129.9**	**95.1**	**76.1**	**78.6**	**379.6**

Capital Resources

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Grants	46.1	28.9	28.9	28.9	132.7
Capital Receipts from sales	13.5	11.4	1.0	3.8	29.7
Revenue/ Reserve Contributions	45.1	39.7	0.7	0.1	85.7
External Contributions	25.3	15.0	5.6	2.3	48.2
Total	**129.9**	**95.1**	**36.2**	**35.1**	**296.2**
Funding Required	**0.0**	**0.0**	**39.9**	**43.5**	**83.4**

182. Where capital projects are not yet fully developed, or plans agreed, these have been included under the heading of 'Future Developments' under each departmental programme. It is intended that as these schemes are developed during the year, they will be assessed against the balance of available resources and included in the capital programme as appropriate. A fund of £40m is included in the draft capital programme, shown within the Corporate programme.

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

Service Improvements	£172m
Invest to Save	£78m
Investment for Growth	£69m
Future Developments/ Risk Contingency	£61m
Total	**£380m**

Funding and Affordability

Forward Funding

184. The County Council has previously forward funded investment in infrastructure projects to enable new schools and roads to be built and unlock growth in Leicestershire before funding, mainly from section 106 developer contributions, is

received. This allowed a more co-ordinated approach to infrastructure development. In recent years £20m has been forward funded in the capital programme. Of this total, £5.5m has already been repaid and £7.5m is estimated to be repaid between 2024/25 and 2028/29, The balance of £7m is estimated to be repaid after 2029. When the expected developer contributions are received, they will be earmarked to the capital programme, to reduce the dependency on internal cash balances in the future.

185. There are risks involved in managing and financing a programme of this size. And an increased reliance on developer contributions through section 106 agreements means that it may take many years for investment to be repaid. Historic agreements may not be sufficient for the actual cost of infrastructure in the high inflation environment that is currently being experienced. The drivers of inflation are having a particularly profound impact upon construction schemes. Risks could be further compounded in the event of an economic slowdown, which could delay the housing development required before Section 106 funding is received.

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

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

188. Due to the risk of forward funding not being repaid, for example if a developer's planned scheme is no longer viable. The County Council's intention is for all future schemes to be fully funded, including adequate contingency, before they are committed to. Without appropriate funding, infrastructure relating to further plans cannot be added to the programme. It is therefore critical that Local Plans are prepared with sufficient evidence to secure contributions and delivery for critical infrastructure.

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

190. Without new funding the County Council can only commit to constructing new infrastructure upon receipt of funds from developers. Whilst the County Council

will always be mindful of its statutory duty to ensure that highway safety is not compromised, there could be adverse impacts of development, such as congestion, if sufficient developer funding is not secured through the planning process.

Capital Grants

191. Grant funding for the capital programme totals £133m across the 2025-29 programme. The majority of grants are awarded by Government departments including the Department for Education (DfE) and the Department for Transport (DfT). At this stage many of the main government grants are not yet known and have been estimated.

Children and Family Services

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

a) Basic Need – this grant provides funding for new pupil places by expanding existing schools and academies or by establishing new schools. Funding is determined through an annual submission to the DfE which identifies the need for additional school places in each local authority area. The DfE has announced details of the grant award for 2025/26 of £17.1m. No details have been announced for future years. A nominal estimate of £1m has been used for these years which will be updated once the allocations are announced. (The allocation for 2024/25 was £3m).

b) Strategic Capital Maintenance – this grant provides the maintenance funding for the maintained school asset base. Details of the grant for 2025/26 and future years have not yet been announced. An estimate of £2m per annum is included in the capital programme.

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

Adult Social Care

193. Capital funding for the Disabled Facilities Grant (DFG) programme has not yet been announced. An estimate in line with previous years of £4.9m per annum has been included in the capital programme.

Environment and Transport

194. The main DfT grants have not yet been announced. Estimates have been included, based on previous years. These include:

a) Integrated Transport Block - £2.8m p.a. (£11m overall).
b) Maintenance/Incentive Fund - £9.9m p.a. (£39m overall).
c) Transport Infrastructure Investment Fund (including funding for potholes) - £7.9m p.a. (£32m overall).

195. The position remains uncertain on the future of previous Network North grant allocations and any additional funding from the Governments Autumn Budget announcement. At this stage no estimate has been included in the programme. This will be updated before the final programme is presented to the Council in February 2025. There are increasing pressures on highways maintenance requirements. Given the Council's difficult financial these government grants are essential to ensure that there is sufficient funding available.

Capital Receipts

196. The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £30m across the four years to 2028/29.

197. The estimate includes potential land sales that are subject to planning permission. In these cases the value of the site is significantly increased when planning permission is approved. However, this also comes with a significant amount of uncertainty and potential for delays. The estimate also includes the planned sale of some investments in Pooled Property Funds, an estimate of £7.5m has been included.

Revenue / Earmarked Funds/ Contributions

198. To supplement the capital resources available and avoid the need for borrowing, £86m of revenue/ reserves funding is being used to fund the programme consisting of:

Departmental reserves	£1m
Capital financing reserve	£85m
Total	**£86m**

199. The capital financing reserve temporarily holds revenue contributions to fund the capital programme until they are required. Other capital funding sources that contain restrictions are maximised before using the capital financing reserve. The capital financing reserve includes an estimated £8m from the Councils share of the Leicester and Leicestershire business rates pool for 2025/26, and £7.4m from the 2024/25 business rates pool levy.

External Contributions and Earmarked Capital Funds

200. A total of £48m is included in the funding of the capital programme 2025-29. This relates mainly to section 106 developer contributions, including an estimated £4.7m in section 106 receipts relating to forward funded capital schemes over the next four years.

Funding from Internal Balances

201. Overall a total of £83m additional funding is required to fund the proposed 4 year capital programme and enable investment in schools and highway infrastructure

to be made. Over the next 10 to 15 years £7m of this funding will be repaid through the associated developer contributions forward funded.

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

203. The overall cost of using internal balances to fund £83m of investment is dependent on what happens to interest and borrowing rates over the medium to long term. Current forecasts show the cost of externally borrowing would be around £6.5m per annum for the next 40 years, in interest and repayment of principal - minimum revenue provision (MRP). Internal borrowing would still require MRP setting aside but net interest savings could amount to £2m per annum. But because of the uncertainty on interest rates, this position will be kept under review as part of the treasury management strategy.

204. The County Council's estimated amount of external debt as at March 2025 is £204m. As described above this is not assumed to increase during the MTFS. The relative interest rates and cash balances will be kept under review to ensure that this is the right approach.

Capital Programme Summary by Department

205. Over the period of the MTFS, a capital programme of £380m is required of which £130m is planned for 2025/26. The main elements are:

- Children and Family Services - £83m. The priorities for the programme are informed by the Council's School Place Planning Strategy and investment in SEND as part of the High Needs Development Plan.
- Adults and Communities - £22m. The programme includes £19m relating to the Disabled Facilities Grant (DFG) programme and schemes for the Social Care Investment Plan (SCIP).
- Environment and Transport - £156m – completion of major schemes including the Melton Mowbray Distributor Road Northeast and the Zouch Bridge replacement; investment in the Transport Asset Management (TAM) programme – preventative and restorative highways maintenance - and the Environment and Waste Programme. Other significant projects include the Melton Depot replacement and the corporate wide vehicle replacement programme. The TAM programme includes additional funding of £12m to support investment in highways infrastructure, funded from the Business rates Pool levies (2024/25 and 2025/26).
- Chief Executive's - £0.2m, Legal case management system.
- Corporate Resources - £10m. Investment in ICT, Transformation, Property and Environmental projects.
- Corporate Programme - £108m. Investment in the Investing in Leicestershire Programme (IILP) £47m (subject to business cases), the

future developments fund £40m (subject to business cases), and the major schemes portfolio risk fund of £21m.

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

Investing in Leicestershire Programme

207. The Council directly owns and manages properties, including Industrial, Office and County Farms as part of the Investing in Leicestershire Programme (IILP). The fund also includes financial investments outside of direct property ownership, for example private debt, and pooled property investments (the indirect investments provide diversification of the fund). The fund is held for the purposes of supporting the delivery of various economic development objectives and is also income generating so makes a contribution to the Council's overall financial position. The aims of the IILP Strategy align with the five strategic outcomes set out in the Council's Strategic Plan (strong economy, transport and infrastructure; improved opportunities; great communities; safe and well; and clean and green.

208. A total of £47m has been included in the draft 2025-29 capital programme. This will bring the total held to £260m (based on historic cost). Annual income returns are currently around £8m and are forecast to increase to £10m by the end of the MTFS period (and higher in later years), contributing ongoing net income for the Council.

Capital Summary

209. The capital programme totals £380m over the four years to 2028/29. The Council recognises the need to fund long term investment and has forward funded £20m of capital infrastructure projects for highways. £13m of this is estimated to be repaid by 2028/29 with the balance of £7m expected between 2029 and 2038.

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

211. There are significant pressures in Highways Maintenance as it becomes increasingly difficult for the Council as the Council as the local highways authority to balance dealing with immediate works under existing policies with investment in proactive maintenance to reduce long term costs. With reduced funding in real terms a higher proportion of funding is now being spent on reactive measures rather than proactively maintaining highway assets. The previously announced Network North funding is now expected to be significantly reduced, and possibly even repurposed by the government, which adds further pressure to the capital programme in the medium term. This will likely result in continued and accelerated deterioration of the road network if the level of funding available is significantly below identified need. There are also many other government grant allocations not yet known, such as the DfE school condition and devolved

formula capital, and basic need (after 2025/26) and the DfT maintenance, pot-hole, and integrated transport block grants.

212. Overall £83m from internal cash balances will be used to fund the cash flow of capital programme. As such there is very limited scope to add further capital schemes to the capital programme. The additional revenue costs arising from this total £6.5m per annum, on the basis of internal borrowing.

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

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

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

Other Funding Updates

East Midlands Freeport

216. The County Council is acting as Accountable Body in relation to the establishment and ongoing activity of the East Midlands Freeport (EMF). The Freeport has been in operation since March 2023.

217. The County Council has provided up front funding to support business case development and wider set up costs. This is in the form of a commercial loan capped at £4m. Capacity funding has also been received from MHCLG. A total of £2.9m of the loan has been drawn down. The loan has started to be paid back from the Freeport's retained business rates income stream, current balance £0.9m remaining, and it is expected to be fully repaid, with interest, within the 2025/26 financial year.

Equality and Human Rights Implications

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

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

219. Given the nature of the services provided, many aspects of the Council's MTFS will affect service users who have a protected characteristic. An assessment of

the impact of the proposals on the protected groups must be undertaken at a formative stage prior to any final decisions being made. Such assessments will be undertaken in light of the potential impact of proposals and the timing of any proposed changes. Those detailed assessments will be revised as the proposals are developed to ensure that decision-makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic as well as information to enable proper consideration of the mitigation of the impact of any changes on those with a protected characteristic.

220. A high-level Equalities and Human Rights Impact assessment of the MTFS 2024-28 was completed last year to:

- Enable decision makers to make decisions on an informed basis which is a necessary component of procedural fairness;
- Inform decision makers of the potential for equality impacts from the budget changes;
- Consider the cumulative equality impacts from all changes across all Departments;
- Provide some background context of the local evidence of cumulative impacts over time from public sector budget cuts.

221. This assessment will be revised and updated for the new MTFS 2025-29 and included in the proposed MTFS to the Cabinet in February 2025. Many of the proposals in the MTFS were agreed as part of the decision to adopt the previous MTFS, and others are amendments to existing plans that have already been agreed.

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

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

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

225. Any savings arising out of a reduction in posts will be subject to the County Council's Organisational Change policy which requires an Equality Impact

Assessment to be undertaken as part of the Action Plan. Where there are potential Human Rights implications arising from the changes proposed, these will be subject to further assessment including consultation with the Council's Legal Services.

Crime and Disorder Implications

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

Environmental Implications

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

Partnership Working and Associated Issues

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

Risk Assessments

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

Background Papers

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

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

Appendices

Appendix A: Four Year Revenue Budget 2025/26 to 2028/29
Appendix B: 2025/26 Revenue Budget
Appendix C: Savings 2025/26 to 2028/29
Appendix D: Savings under Development
Appendix E: Growth 2025/26 to 2028/29
Appendix F: Capital Programme 2025/26 to 2028/29

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APPENDIX A

2025/26 - 2028/29 REVENUE BUDGET *

	TOTAL 2024/25	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2025/26	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2026/27	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2027/28	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2028/29
Spending	**£000**	£000	£000	£000	**£000**	£000	£000	£000	**£000**	£000	£000	£000	**£000**	£000	£000	£000	**£000**
Services :																	
Children & Family Services	**120,902**	1,144	20,300	-5,600	**136,746**		10,390	-3,970	**143,166**		11,470	-3,920	**150,716**		14,700	-3,450	**161,966**
Adults & Communities	**228,677**	10,196	-1,780	-3,390	**233,703**		4,250	-2,370	**235,583**		6,600	-1,425	**240,758**		5,640	-1,100	**245,298**
Public Health **	**-2,606**	0	0	-140	**-2,746**		0	0	**-2,746**		0	0	**-2,746**		0	0	**-2,746**
Environment & Transport	**107,678**	3,087	6,220	-2,530	**114,455**	837	2,545	-1,965	**115,872**	-60	4,390	-40	**120,162**		7,825	0	**127,987**
Chief Executives	**16,283**	-14	115	-265	**16,119**		0	-45	**16,074**		0	-10	**16,064**		0	0	**16,064**
Corporate Resources	**38,171**	546	500	-2,035	**37,183**		0	-965	**36,218**		0	-195	**36,023**		0	0	**36,023**
	509,105	14,959	25,355	-13,960	**535,459**	837	17,185	-9,315	**544,166**	-60	22,460	-5,590	**560,976**	0	28,165	-4,550	**584,591**
DSG (Central Dept recharges)	**-2,285**				**-2,285**				**-2,285**				**-2,285**				**-2,285**
Growth Contingency	**0**		1,645	0	**1,645**		9,815	0	**11,460**		4,540	0	**16,000**		0	0	**16,000**
Service Investment Fund	**200**	0			**200**				**200**				**200**				**200**
MTFS Risks Contingency	**10,000**	-2,000			**8,000**				**8,000**				**8,000**				**8,000**
Contingency for inflation/ Living Wage	**36,059**	5,697			**41,756**	20,823			**62,579**	22,450			**85,029**	22,800			**107,829**
	553,079	18,656	27,000	-13,960	**584,775**	21,660	27,000	-9,315	**624,120**	22,390	27,000	-5,590	**667,920**	22,800	28,165	-4,550	**714,335**
Central Items:																	
Financing of capital	**17,400**	-800			**16,600**	300			**16,900**	900			**17,800**	1,500			**19,300**
Revenue funding of capital	**0**	0			**0**	0			**0**	0			**0**	0			**0**
Bank & other interest	**-14,200**	1,200			**-13,000**	3,500			**-9,500**	2,000			**-7,500**	1,000			**-6,500**
Central expenditure	**2,705**	243		0	**2,948**	-100		0	**2,848**	-100	0	0	**2,748**	-100	0	0	**2,648**
Total Services & Central Items	**558,984**	19,299	27,000	-13,960	**591,323**	25,360	27,000	-9,315	**634,368**	25,190	27,000	-5,590	**680,968**	25,200	28,165	-4,550	**729,783**
Contributions to earmarked reserves	**15,000**				**23,600**				**9,700**				**8,800**				**11,600**
Contributions to General Fund	**0**				**1,000**				**1,000**				**1,000**				**1,000**
Contribution from reserves to balance 2024/25 budget	**-6,377**																
Total Spending	**567,607**				**615,923**				**645,068**				**690,768**				**742,383**
Funding																	
Revenue Support Grant (new burdens)	**-29**				**-30**				**-30**				**-30**				**-30**
Business Rates - Top Up	**-42,383**				**-43,100**				**-43,790**				**-44,450**				**-45,120**
Business Rates Baseline/Retained	**-31,490**				**-34,070**				**-24,620**				**-25,140**				**-25,660**
S31 grants - Business Rates	**-17,517**				**-17,990**				**-18,280**				**-18,550**				**-18,830**
Business Rates Pool - share of Levy	**-6,500**				**-8,000**				**0**				**0**				**0**
Council Tax Precept	**-397,916**				**-422,370**				**-441,520**				**-461,540**				**-482,470**
Council Tax Collection Fund net deficit / (surplus)	**-1,918**				**-2,500**				**-500**				**-500**				**-500**
New Homes Bonus Grant	**-1,012**				**-1,000**				**0**				**0**				**0**
Improved Better Care Grant	**-14,190**				**-14,190**				**-14,190**				**-14,190**				**-14,190**
Social Care Grant	**-43,697**				**-48,197**				**-48,197**				**-48,197**				**-48,197**
Services Grant	**-394**				**0**				**0**				**0**				**0**
ASC Market Sustainability & Improvement Fund	**-10,562**				**-10,562**				**-10,562**				**-10,562**				**-10,562**
Children's Social Care Grant (new)	**0**				**-1,250**				**-1,250**				**-1,250**				**-1,250**
Extended Producer Responsibility (EPR)(new)	**0**				**-6,333**				**0**				**0**				**0**
Total Funding	**-567,607**				**-609,592**				**-602,939**				**-624,409**				**-646,809**
VARIANCE	**0**				**6,331**				**42,129**				**66,359**				**95,574**
Band D Council Tax	*£1,601.58*				*£1,681.50*				*£1,731.78*				*£1,783.56*				*£1,836.89*
Increase	*4.99%*				*4.99%*				*2.99%*				*2.99%*				*2.99%*

* provisional for 2026/27 and later years

** preventative expenditure within other Deparments' budgets to be identified and absorbed into the ring fenced budget

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APPENDIX B

2025/26 REVENUE BUDGET

	Base including inflation	Growth	Savings	TOTAL 2025/26
Spending	**£000**	**£000**	**£000**	**£000**
Services :				
Schools *				0
Children & Family Services	122,046	20,300	-5,600	136,746
Adults & Communities	238,873	-1,780	-3,390	233,703
Public Health **	-2,606	0	-140	-2,746
Environment & Transport	110,765	6,220	-2,530	114,455
Chief Executives	16,269	115	-265	16,119
Corporate Resources	38,718	500	-2,035	37,183
	524,064	25,355	-13,960	535,459
DSG (Central Dept recharges)	-2,285			-2,285
Growth Contingency	0	1,645		1,645
Service Investment Fund	200			200
MTFS Risks Contingency	8,000			8,000
Contingency for inflation/ Living Wage	41,756			41,756
	571,735	27,000	-13,960	584,775
Central Items:				
Financing of capital	16,600			16,600
Bank & other interest	-13,000			-13,000
Central expenditure	2,948	0	0	2,948
Total Central Items	6,548	0	0	6,548
Total Services & Central Items	**578,283**	**27,000**	**-13,960**	**591,323**
Contributions to earmarked reserves				23,600
Contribution to General Fund				1,000
Total Spending				**615,923**
Funding				
Revenue Support Grant (new burdens)				-30
Business Rates - Top Up				-43,100
Business Rates Baseline/Retained				-34,070
S31 grants - Business Rates				-17,990
Business Rates Pool - share of Levy				-8,000
Council Tax Precept				-422,370
Council Tax Collection Fund net deficit / (surplus)				-2,500
New Homes Bonus Grant				-1,000
Improved Better Care Grant				-14,190
Social Care Grant				-48,197
ASC Market Sustainability & Improvement Fund				-10,562
Children's Social Care Grant (new)				-1,250
Extended Producer Responsibility (EPR)				-6,333
Total Funding				**-609,592**
VARIANCE				**6,331**
Band D Council Tax				*£1,681.50*
Increase				*4.99%*

* Schools - Delegated and Schools Block budgets funded by Dedicated Schools Grant
** Public Health funded by Grant

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APPENDIX C

SAVINGS

References used in the following tables

* items unchanged from previous Medium Term Financial Strategy
** items included in the previous Medium Term Financial Strategy which have been amended
Eff - Efficiency saving
SR - Service reduction
Inc - Income

References				2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
			CHILDREN & FAMILY SERVICES				
**	CF1	Eff	Innovation Partnership - Creation and investment in Internal Residential provision	-750	-1,250	-1,750	-2,000
**	CF2	Eff	Departmental establishment modelling / Re-design	-390	-390	-390	-390
**	CF3	Eff/SR	Defining CFS For the Future Programme - Phase 2 - Social Care Workforce Strategy (Recruitment and Retention)	-250	-500	-900	-900
**	CF4	Eff	Reduced Care Costs through growth of internal family based placements	-150	-450	-750	-1,000
**	CF5	Eff/Inc	Smarter commissioning, Procurement and Demand Management - Social Care Placements and externally commissioned services				
			Strand 1 - Contain & Minimise impact of market cost pressures for children placements - external providers	-910	-2,180	-3,900	-6,300
			Strand 2 - Review of care packages /cost (Pro-active and Reactive) ensuring value for money and effectiveness	-1,400	-2,050	-2,450	-2,850
			Strand 3 - Development of a wide range of other accommodation and support options.	-1,000	-1,250	-1,500	-1,500
			Strand 4 - Increased Partner Income	-750	-1,500	-1,850	-2,000
			TOTAL	**-5,600**	**-9,570**	**-13,490**	**-16,940**
			ADULTS & COMMUNITIES				
			Adult Social Care				
**	AC1	Inc	Increased income from fairer charging and removal of subsidy / aligning increases	-100	-200	-300	-400
**	AC2	Eff	Implementation of digital assistive technology to service users	-150	-300	-300	-300
**	AC3	Eff	Review of Mental Health pathway and placements	-400	-400	-400	-400
**	AC4	Inc	Increased Better Care Fund income from annual uplift	-1,000	-2,000	-3,000	-4,000
*	AC5	Eff	Improve consistency in hourly rates for Direct Payments and promote use of personal assistants	-160	-160	-160	-160
*	AC6	Eff	Transforming Commissioning (Extra Care)	-100	-180	-255	-255
*	AC7	Eff	Transforming Commissioning (Alternatives to homecare)	-250	-600	-600	-600
*	AC8	Eff	Transforming Commissioning continuing review of contracts across all areas	-150	-150	-150	-150
	AC9	Eff	Review of underspends in staffing and general expenditure(turnover)	-300	-300	-300	-300
	AC10	Eff	Review in-house supported living and short breaks provision	-100	-250	-500	-500
	AC11	Eff	Approved Mental Health Professionals (AMHP) review	-30	-30	-30	-30
	AC12	Eff	Review of 1:1 support in residential care	-250	-500	-500	-500
	AC13	Inc	Increasing Health Income	-300	-500	-500	-500
	AC14	Inc	Review of Fees & Charges	-100	-150	-150	-150
			Total ASC	**-3,390**	**-5,720**	**-7,145**	**-8,245**
			Communities and Wellbeing				
**	AC16	Eff	Implementation of revised service for communities and wellbeing	0	-40	-40	-40
			Total C&W	**0**	**-40**	**-40**	**-40**
			TOTAL A&C	**-3,390**	**-5,760**	**-7,185**	**-8,285**
			PUBLIC HEALTH				
*	PH1	Eff/SR	Review of Commissioned services	-90	-90	-90	-90
*	PH2	Eff	Quit Ready - Development of a Pharmacy Community Based Service Model	-50	-50	-50	-50
			TOTAL	**-140**	**-140**	**-140**	**-140**
			ENVIRONMENT & TRANSPORT				
			Highways & Transport				
**	ET1	Eff	Assisted Transport Programme	-550	-1,985	-2,005	-2,005
*	ET2	SR	Review application of subsidised bus policy, post Covid	-400	-400	-400	-400
*	ET3	Inc/SR	Review approach to Park and Ride	-200	-400	-400	-400
**	ET4	Eff/SR	Street Lighting - review energy reduction options, including reduced operation times	-110	-110	-110	-110
**	ET5	Inc	Network Management incl. temporary traffic regulation orders (TTRO)	-400	-400	-400	-400
**	ET6	Inc	Fees and Charges Uplift	-80	-80	-80	-80
	ET7	Inc	Review of fees & charges across targeted services	-60	-60	-60	-60
	ET8	Eff	Traffic Signals energy savings arising LED implementation	-25	-45	-45	-45

SAVINGS

References			2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
ET9	Eff	Fleet Service Insurance	-15	-15	-15	-15
		Total	**-1,840**	**-3,495**	**-3,515**	**-3,515**

	References			2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
			SAVINGS				
			Environment & Waste				
**	ET10	Eff/Inc	Recycling & Household Waste Sites (RHWS) service approach	-60	-60	-60	-60
**	ET11	Inc	Trade Waste income	-50	-100	-100	-100
**	ET12	SR	Review RHWS provision	-400	-400	-400	-400
**	ET13	Eff/Inc	Food Waste Implementation	130	-130	-150	-150
**	ET14	Inc	Fees and Charges Uplift	-20	-20	-20	-20
**	ET15	Eff	Reduction in line of business system licences	-60	-60	-60	-60
	ET16	Eff	Digitalised timesheets	-30	-30	-30	-30
	ET17	Eff	Contracted waste tonnage reductions	-200	-200	-200	-200
			Total	**-690**	**-1,000**	**-1,020**	**-1,020**
			TOTAL E&T	**-2,530**	**-4,495**	**-4,535**	**-4,535**
			CHIEF EXECUTIVE				
*	CE1	Inc	Democratic Services income	-5	-5	-5	-5
*	CE2	Eff	Trading Standards Review	-10	-20	-30	-30
	CE3	Inc	Freeport Accountable Body responsibilities	-50	-50	-50	-50
	CE4	Inc	Additional Registrars fees and income	-50	-85	-85	-85
	CE5	Eff	Growth Service staffing review	-95	-95	-95	-95
	CE6	Eff	Democratic Services efficiencies	-30	-30	-30	-30
	CE7	SR	Hospitality Function reductions	-10	-10	-10	-10
	CE8	Inc	Hire of Committee Suite	-15	-15	-15	-15
			TOTAL	**-265**	**-310**	**-320**	**-320**
			CORPORATE RESOURCES				
**	CR1	Eff/Inc	Ways of Working - Use of office space	-240	-735	-810	-810
**	CR2	Eff	Customer Programme (Cross cutting)	-520	-530	-530	-530
*	CR3	Eff	Operational Finance process improvement	-50	-50	-50	-50
**	CR4	Eff	Transformation Unit efficiencies	0	0	-70	-70
**	CR5	Eff	Energy Initiatives	-150	-150	-200	-200
*	CR6	Eff	ICT efficiencies	-300	-725	-725	-725
**	CR7	Eff/SR	Property Service efficiencies	-150	-185	-185	-185
**	CR8	Eff	Departmental/Administrative efficiencies	-140	-140	-140	-140
*	CR9	Eff	People Services efficiencies	-35	-35	-35	-35
	CR10	Eff	Insurance - reduced insurance premium contract	-200	-200	-200	-200
	CR11	Inc	Review of Support Service charges	-250	-250	-250	-250
			TOTAL	**-2,035**	**-3,000**	**-3,195**	**-3,195**
			TOTAL SAVINGS including additional income	**-13,960**	**-23,275**	**-28,865**	**-33,415**
			MTFS net shortfalls - savings required	**-6,331**	**-42,129**	**-66,359**	**-95,574**
			Gap in 2025/26 budget to be met from earmarked reserves	**6,331**			
			TOTAL SAVINGS REQUIRED - EXCLUDING DSG	**-13,960**	**-65,404**	**-95,224**	**-128,989**
			Dedicated Schools Grant - Deficit reduction activity				
			Transforming SEND & Inclusion in Leicestershire (TSIL) Programme defined opportunities	-12,384	-20,034	-28,018	-34,237
			Increase in Local Specialist Places	-389	-4,252	-11,193	-14,486
			SEND Investment Fund - return on investment	0	-2,600	-2,970	-3,360
				-12,773	**-26,886**	**-42,181**	**-52,083**
			TOTAL SAVINGS REQUIRED - INCLUDING DSG	**-26,733**	**-92,290**	**-137,405**	**-181,072**

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APPENDIX D

SAVINGS UNDER DEVELOPMENT

Initiative title	RAG
Children and Family Services	
Service Efficiency Rolling Programme	A
Parental Mental Health and Substance Misuse	A
Adults and Communities	
Improved Pathway to Adulthood, a cross departmental review of the journey from childhood to adulthood (Total saving includes all department's in review).	G
Review of Community Life Choices (Day services) by looking at the services being offered and delivered.	A
Review of Lightbulb Service contribution and business case with partners to improve efficiency.	A
Review of Supported Living packages	A
Review of Direct Payments processes to improve efficiency across teams and robustness of assessments.	A
Improve efficiency of financial assessments process across teams which should lead to more timely invoicing and reduce debt.	A
Review of Home Care packages in particular for double handed care and look at alternative approaches to delivering services.	A
Public Health	
Workplace Health: Project to support businesses across Leicestershire and Rutland to improve and sustain employee health and wellbeing. The tailored programme has been designed in collaboration with, and for Leicestershire businesses, helping to ensure that the support that is most needed by the county's workforce is available to them and their organisations.	A
Review of Soldiers' and Sailors' Families Association (SSAFA) contract: The council has held a contract with SSAFA to provide support to ex-service personnel. The provision has recently moved to a regional model with volunteers providing support locally. With this, and the contract ending March 2025, the service is being reviewed.	A
Decommission of Timebanking Service: The Timebank service was initially designed to support people in communities to swap hours of time for support with a personal need. There has been increasing issues with insurance and the take up of the programme that a review is underway to decide the future of the programme. The outcome is likely to be to stop activity and close the programme.	A
Environment and Transport	
Commercialisation of Highways Services: Review and expansion of asset sponsorship scheme to cover different highway assets and street furniture	A
Fleet Efficiencies and Improvements - Amalgamation of previous smaller SUDs involving the management and maintenance of the Council fleet	A
Fees & Charges - programme of deep dives into branch areas that charge for external work to review charging structure & increase revenue	A
School Crossing Patrol: alternative funding model - seek partial contribution from third parties for providing the service	A
RHWS Income and Service Efficiency	A
Lane Rental - The lane rental scheme charges third parties and the highway authority working on certain roads on the network	A
Energy cost reduction (potential 25% reduction in energy prices – awaiting confirmation)	G

Initiative title	RAG
Chief Executives	
Democratic Services Scrutiny Efficiencies: Future savings opportunities identified during service review.	R
Implementing BioDiversity Net Gain: Income to be received by implementing a chargeable BNG advisory service.	A
SUD additional Planning, Historic and Natural Environment - fee income: Additional income due to the national Planning Application fees increase.	A
Chief Executives Service Efficiency Programme	A
Corporate Resources	
Financial Operations review of processes- Focussing on collections and reducing Adult Social Care debt / Review of Direct Payments	A
Property Services - Review Target operating Model and reducing the cost of running LCC properties	A
Tax Opportunities - review of opportunities for payroll tax savings	G
Minimum Revenue Provision Review - assessment of alternative prudent approaches	A
Country Parks and Cafes - Maximisation of Income	A
Review requirement of mobile phone handset across the council	G
Service Efficiency Programme - Rolling Programme across Corporate Resources	A
Direct Payments Fraud Investigation Service	A
Cross cutting	
Review of Prevention Activity to ensure focus on most effective interventions	A
Sustainable Support Services Programme - ensuring the right tools are available alongside cost effective and efficient support services	G
Review the Council's fees and charges policy and ensure it is consistently and fully applied across all relevant Council activity	G
Review of activities linked to Community engagement to ensure they are effective, focussed and consistent with Council priorities	A
Third Party Spend Review - Aspiring to ensure all such spend is necessary and represents the best possible value for the authority. Approach is being piloted in Corporate Resources and 3 cross cutting workstreams have been identified.	A

Green
Amber
Red

APPENDIX E

GROWTH

References			2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
		CHILDREN & FAMILY SERVICES				
**	G1	Demographic growth & increasing cost of Social Care Placement mix	15,000	23,300	33,000	44,500
**	G2	Front-line social care staff - increased caseloads	500	500	750	750
**	G3	Post Transforming SEND & Inclusion In Leicestershire(TSIL) sustainability	900	900	900	900
**	G4	Unaccompanied Asylum Seeking Children (UASC) - increased demand/cost	3,250	5,500	8,000	11,200
*	G5	Demand management	-100	-260	-1,240	-1,240
	G6	Children In Need Financial Support - Section 17/23	750	750	750	750
		TOTAL	**20,300**	**30,690**	**42,160**	**56,860**
		ADULTS & COMMUNITIES				
**	G7	Older people - new entrants and increasing needs in community based services and residential admissions	1,900	5,660	10,720	15,190
**	G8	Learning Disabilities - new entrants including children transitions and people with complex needs	550	1,720	3,790	5,720
**	G9	Mental Health - new entrants in community based services and residential admissions	500	1,340	2,470	3,340
**	G10	Physical Disabilities - new entrants in community based services	0	110	470	800
**	G11	Additional Service User Income from new growth to offset costs	-420	-1,430	-2,500	-3,630
**	G12	Additional Health Income from new growth to offset costs	-310	-930	-1,880	-2,710
**	G13	Demand management	-4,000	-4,000	-4,000	-4,000
		TOTAL	**-1,780**	**2,470**	**9,070**	**14,710**
		ENVIRONMENT & TRANSPORT				
		Highways & Transport				
**	G14	Special Educational Needs transport - increased client numbers/costs	3,125	4,980	7,125	9,565
**	G15	Highways Maintenance	1,170	1,595	1,825	2,200
	G16	Statutory change in Mainstream Home to School transport policy	120	120	120	120
	G17	Mainstream School Transport	660	830	1,010	1,190
	G18	School Crossing Patrol - loss of income from Leicester, Leicestershire & Rutland Road Safety Partnership (LLRRSP)	190	190	190	190
	G19	Fleet Services vehicle maintenance costs	290	190	260	330
	G20	Street Lighting maintenance costs	340	215	215	215
		Total	5,895	8,120	10,745	13,810
		Environment & Waste				
*	G21	Confirm replacement - licensing costs	70	70	70	70
**	G22	Waste Upholstered Domestic Seating (WUDS)	65	65	65	65
**	G23	DIY Waste - loss of income	55	110	175	235
	G24	Increased waste tonnages	0	240	440	640
	G25	Emissions Trading Scheme (ETS) expansion to include energy from waste facilities	0	0	1,500	6,000
		Total	190	485	2,250	7,010
		Department Wide				
**	G26	HGV Driver Market Premia	135	160	160	160
		Total	135	160	160	160
		TOTAL E&T	**6,220**	**8,765**	**13,155**	**20,980**
		CHIEF EXECUTIVES				
	G27	Maintaining current corporate consultation and engagement support capacity in the Business Intelligence Service	55	55	55	55
	G28	Legal Services - formalise solicitor funding	60	60	60	60
		TOTAL	**115**	**115**	**115**	**115**
		CORPORATE RESOURCES				
	G29	ICT cyber security	500	500	500	500
		TOTAL	**500**	**500**	**500**	**500**
		CORPORATE GROWTH				
**	G30	Growth contingency	1,645	11,460	16,000	16,000
		TOTAL	**1,645**	**11,460**	**16,000**	**16,000**
		TOTAL GROWTH	**27,000**	**54,000**	**81,000**	**109,165**
		Overall net additional growth		*27,000*	*27,000*	*28,165*

* items unchanged from previous Medium Term Financial Strategy

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

CHILDREN & FAMILY SERVICES - CAPITAL PROGRAMME 2025-29

Estimated Completion Date	Gross Cost of Project £000		2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
		MAIN GRANT FUNDED PROGRAMME					
Mar-29	50,118	**Provision of Additional School Places**	**34,752**	**10,614**	**4,052**	**700**	**50,118**
Mar-28	20,458	**Provision and Improvement of SEND Places**	**2,000**	**8,458**	**10,000**	**0**	**20,458**
Mar-29	8,000	Strategic Capital Maintenance	2,000	2,000	2,000	2,000	8,000
Mar-29	2,000	Schools Devolved Formula Capital	500	500	500	500	2,000
Mar-29	1,200	Schools Access / Security	300	300	300	300	1,200
Mar-26	225	Children's Residential Homes	225				225
Mar-26	800	Childcare Expansion Programme	800	0	0	0	800
Mar-27	338	Music Hub Equipment	290	48	0		338
		Other Capital	**4,115**	**2,848**	**2,800**	**2,800**	**12,563**
		Overall Total	**40,867**	**21,921**	**16,852**	**3,500**	**83,140**

		Future Developments - subject to further detail and approved business cases Additional School Infrastructure arising from Housing Developments					

ADULTS & COMMUNITIES - CAPITAL PROGRAMME 2025-29

Estimated Completion Date	Gross Cost of Project £000		2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
Mar-29	19,404	Disabled Facilities Grant (DFG)	4,851	4,851	4,851	4,851	19,404
			4,851	**4,851**	**4,851**	**4,851**	**19,404**
		Social Care Investment Plan (SCIP):					
Mar-28	3,758	SCIP - Extra care schemes	1,000	629	629	0	2,258
		Sub-Total SCIP	**1,000**	**629**	**629**	**0**	**2,258**
		Total A&C	**5,851**	**5,480**	**5,480**	**4,851**	**21,662**

		Future Developments - subject to further detail and approved business cases Archives, Collections and Learning Hub					

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2025-29

Estimated Completion Date	Gross Cost of Project £000		2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
		Major Schemes					
Mar-28	127,160	Melton Distributor Road - North and East Sections	23,706	3,450	250	0	27,406
Mar-27	19,600	Zouch Bridge Replacement - Construction and Enabling Works	8,175	3,675	76	0	11,925
Mar-26	12,390	A511/A50 Major Road Network - Full business case	4,193	0	0	0	4,193
Mar-29	9,470	Advance Design / Match Funding	2,853	2,209	1,247	3,158	9,467
Mar-29	2,510	Leicestershire Cycling Walking Improvements Plan Delivery	1,000	854	467	192	2,513
Mar-26	1,880	The Parade Oadby Cyclops	1,764	0	0	0	1,764
			41,691	**10,188**	**2,039**	**3,349**	**57,267**
		Minor Schemes / Other					
Mar-27	960	Property Flood Risk Alleviation	912	49	0	0	960
Mar-29	1,288	Safety Schemes	543	538	207	0	1,288
Mar-29	400	Plant renewals	100	100	100	100	400
Mar-27	9,870	Other - Melton Depot Replacement	2,080	6,968	0	0	9,048
Mar-27	540	Other - Highways Depot Improvements	141	400	0	0	541
Mar-29	15,820	Other - County Council Vehicle Replacement Programme	4,394	3,110	3,436	4,880	15,820
Mar-28	0	Externally Funded Schemes	631	579	64	0	1,275
			8,801	**11,744**	**3,807**	**4,980**	**29,332**
		Transport Asset Management					
Mar-29	8,200	Capital Schemes and Design	2,168	2,177	1,677	2,177	8,198
Mar-29	1,760	Bridges	407	483	388	483	1,760
Mar-29	540	Highways Flood alleviation	123	141	141	141	544
Mar-29	3,270	Street Lighting	835	835	760	835	3,266
Mar-29	1,120	Traffic Signal Renewal	281	281	281	281	1,123
Mar-29	7,650	Preventative Maintenance - (Surface Dressing)	1,912	1,912	1,912	1,912	7,648
Mar-29	31,040	Restorative (Patching)	8,073	7,977	7,016	7,977	31,043
Mar-29	70	Public rights of way maintenance	15	17	17	17	65
Mar-29	630	Network Performance & Reliability	154	157	157	157	626
Mar-29	0	Highways Improvements	3,000	3,000	3,000	3,000	12,000
			16,968	**16,979**	**15,348**	**16,979**	**66,274**
		Environment & Waste					
Mar-29	150	Ashby Canal	37	37	37	37	148
Mar-29	1,660	Recycling Household Waste Sites - General Improvements	973	147	250	290	1,660
Mar-28	380	Recycling Household Waste Sites - S.106 funded schemes	65	310	0	0	376
Mar-28	1,376	Food Waste Treatment Service Delivery	236	490	650		1,376
			1,311	**984**	**937**	**327**	**3,560**
		Total E&T	**68,771**	**39,895**	**22,131**	**25,635**	**156,433**

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2025-29 (continued)

		Future Developments - subject to further detail and approved business cases					
		New Melton RHWS					
		Additional bid development/match funding					
		Compaction equipment					
		Green vehicle fleet					
		Highways Depot Maintenance					
		A511 Major Road Network					
		Desford Crossroads					

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2025-29

Estimated Completion Date	Gross Cost of Project £000		2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
Mar-27	200	Legal - Case Management System - subject to business case	100	100	0	0	200
		Total Chief Executives	**100**	**100**	**0**	**0**	**200**

		Future Developments - subject to further detail and approved business cases					
		Legal - Commons and Village Green Register					

CORPORATE RESOURCES - CAPITAL PROGRAMME 2025-29

Estimated Completion Date	Gross Cost of Project £000		2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
		ICT					
Mar-28	903	Cisco Network Equipment	100	0	600		700
Mar-28	240	Replacement of IT Service Management toolset and User Portal (Marval)	0	0	240		240
Mar-28	1,700	Hyper-Converged Infrastructure (HCI) Refresh/re-license	351	120	581		1,052
Mar-26	79	Solaris Hardware Refresh	30	0	0		30
Mar-28	100	Remote Access Refresh	0	0	76		76
Mar-28	1,949	Backup System Replacement	0	0	1,000		1,000
Mar-26	50	SRS Meeting Room Tech	50	0	0		50
Mar-29	150	Wireless Access points	0	0	0	30	30
Mar-27	70	Wireless Controllers	0	70	0		70
Mar-29	5,075	Workplace Strategy - EUD Refresh (PC, laptop)	1,000	1,530	909	1,636	5,075
		Sub total ICT	**1,531**	**1,720**	**3,406**	**1,666**	**8,322**
		Transformation Unit - Ways of Working					
Mar-26	1,995	Workplace Strategy - property costs, dilapidations and refurbishments	434	0	0	0	434
		Sub total Transformation Unit	**434**	**0**	**0**	**0**	**434**
		Property Services and Country Parks					
Mar-26	185	Anstey Frith House County Hall - Replacement windows & Roof Beams	185				185
Mar-26	200	Aston Firs - Living blocks refurbishments	200				200
Mar-26	33	Croft Depot - Roller shutter door replacement	33				33
Mar-26	50	Kegworth Library - Reroofing	50				50
Mar-26	225	Romulus Court - Refurbishment	225				225
		Sub total Property Services	**693**	**0**	**0**	**0**	**693**
		Climate Change - Environmental Improvements					
Mar-27	200	Energy initiatives	100	100	0	0	200
		Sub total Energy	**100**	**100**	**0**	**0**	**200**
		Total Corporate Resources	**2,758**	**1,820**	**3,406**	**1,666**	**9,649**

CORPORATE RESOURCES - CAPITAL PROGRAMME 2025-29 (continued)

		Future Developments - subject to further detail and approved business cases					
		ICT					
		End of life replacement and security improvements					
		Property Services					
		Country Parks Future Developments:					
		Watermead café and car park changes					
		Country Parks - ANPR ticketless car parking expansion					
		Ashby Woulds Heritage Trail - resurfacing					
		New Adventure Play Facility					
		Climate Change					

CORPORATE - CAPITAL PROGRAMME 2025-29

Estimated Completion Date	Gross Cost of Project £000		2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
		Investing In Leicestershire Programme (IILP)					
Jan-26	16,436	Airfield Business Park - Phase 3-4	8,000	0	0	0	8,000
Sep-27	333	M69 Junction 2 - SDA	83	200	50	0	333
Mar-29	1,050	County Farms Estate - General Improvements	450	300	300	0	1,050
Mar-29	1,250	Industrial Properties Estate - General Improvements	550	350	350	0	1,250
Mar-29	36,500	New Investments - subject to Business Case	0	10,000	10,000	16,500	36,500
		Sub total IILP	**9,083**	**10,850**	**10,700**	**16,500**	**47,133**
		Future Developments					
Mar-29	40,000	Future service projects - subject to business cases	2,500	10,000	12,500	15,000	40,000
Mar-29	21,400	Capital Programme Portfolio Risk	0	5,000	5,000	11,400	21,400
		Sub total Future Developments	**2,500**	**15,000**	**17,500**	**26,400**	**61,400**
		Total Corporate Programme	**11,583**	**25,850**	**28,200**	**42,900**	**108,533**

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

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