Meeting: **Scrutiny Commission**

Date/Time: **Monday, 8 September 2025 at 10.00 am**

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

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

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

Membership

Mrs D. Taylor CC (Chairman)

Dr. J. Bloxham CC	Mrs K. Knight CC
Mr. M. Bools CC	Mr. M. T. Mullaney CC
Mrs. L. Danks CC	Mr. O. O'Shea JP CC
Dr. S. Hill CC	Mr. B. Piper CC
Mr. A. Innes CC	Mr J. Poland CC
Mr. P. King CC	Mr. K. Robinson CC

SUPPLEMENTARY AGENDA PACK

Item		Report by	
8.	Medium Term Financial Strategy - Budget Monitoring and Strategy Update	Director of Corporate Resources	(Pages 3 – 49)

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Leicestershire County Council

SCRUTINY COMMISSION – 8 SEPTEMBER 2025

MEDIUM TERM FINANCIAL STRATEGY – BUDGET MONITORING AND MTFS REFRESH

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. The purpose of this report is to provide members with an update on the County Council's short and medium term financial position. The report also details the changes to the previously agreed 2025-29 capital programme following the latest review, and covers the specific revenue budget monitoring position as at the end of Period 4 (the end of July).

Policy Framework and Previous Decisions

2. The Medium Term Financial Strategy (MTFS) for 2025/26 to 2028/29 was approved by the County Council on 19 February 2025. The MTFS forms part of the Budget and Policy Framework as set out in Part 4C of the Council's Constitution.

Timetable for Decision (including Scrutiny)

3. The Cabinet will consider a report on the MTFS position on 12 September 2025, including the proposed changes to the previously agreed 2025-29 capital programme.

4. The Cabinet will be asked to approve the draft MTFS 2026 to 2030 for consultation in December 2025. All Overview and Scrutiny Committees and the Scrutiny Commission will consider the draft MTFS in late January 2026 and the Cabinet will then make a final recommendation to the County Council in February 2026.

Medium Term Financial Strategy

5. The County Council continues to face a challenging financial outlook. The current MTFS showed the 2025/26 revenue budget as being balanced only after the use of £5m from earmarked reserves and anticipated a funding gap of £38m in 2026/27 rising to £91m by 2028/29, despite savings of £85m being targeted and built into the financial projections. An initial review of the position in light of service pressures, particularly those relating to children's social care, adult social care and children with special education needs and disabilities, through demand and cost increases, indicates that the Council will face significant additional costs in 2025/26 and future years.

6. The national economic picture continues to impact on the Council's MTFS. CPI inflation peaked in October 2022 at 11.1%, then steadily reduced back down to 1.7% in September 2024. Since then the figures have risen and the latest figure for July 2025 stands at 3.8%. The Bank of England is currently forecasting that inflation will increase to around 4% in the next few months (driven by higher food prices) before beginning to fall back towards the 2% target.

7. The pressures of inflation coupled with an ever-increasing demand for core services, is presenting a challenge across the whole local government sector. However, as a very low-funded authority Leicestershire is much worse placed than most to be able resolve the problem.

8. In the short term, the impact of higher inflation on the County Council's expenditure will continue to be partially offset from higher than anticipated investment interest income due to continued higher levels of interest rates. The Bank of England increased the base rate of interest 14 times in a row from December 2021 to August 2023 in a bid to tackle high inflation, reaching 5.25%, its highest level since the 2008 financial crash. That rate remained unchanged through seven subsequent meetings until it was reduced to 5% in July 2024. Further reductions have followed with the latest meeting held in August 2025 seeing a further reduction down to the current rate of 4%. Further reductions seem unlikely in the short term given the position with inflation.

9. Sustained inflation will increase the pressure for wage growth, with the Council particularly sensitive to the level that the Governments sets the National Living Wage at.

10. A full refresh of the MTFS is underway, updating expenditure assumptions and also taking into account the potential impact of the governments Fair Funding proposals. Based upon the available information, assuming current trends continue, service pressures particularly in relation to Children's services are likely to lead to further savings being needed in all years of the MTFS.

11. The Council will continue to pursue efficiencies, and the commissioning of an external efficiency review will contribute to this process. However, it is clear that in the current climate, and on the back of the £290m of savings already delivered since 2010, it will not be possible to balance the Council's financial position without affecting front line service delivery.

12. Initial indications suggest there may be some partial mitigation resulting from the outcome of the Fair Funding Review. The Government has released proposals from the review at a high level, but has yet to release the impact of planned changes for individual authorities. Some modelling has been commissioned by local authority representative groups which suggests there will be significant winners and losers from the changes. The initial indications are that Leicestershire County Council will benefit marginally from the proposed changes.

13. However, these figures are still only an estimate of what the final impact will be. Change could come as a result of significant lobbying of the Government from those authorities, or groups of authorities, who are set to lose significantly from the changes.

The final outcome is unlikely to be known much before the provisional local government finance settlement in November / December this year.

14. The Capital Programme will also need to continue to be prioritised with only essential projects progressing. The four-year capital programme includes a shortfall in funding of £84m (unchanged from the original approved programme) which will need to be funded by borrowing. The additional revenue costs arising from this borrowing total £6m per annum on the basis of using internal borrowing.

15. It is vital that the County Council continues its focus on managing its financial sustainability. This will require innovative solutions, and whilst statutory services will be prioritised, there will be a need to consider alternative service delivery options. The challenges being faced are being felt by most authorities, including the best funded, and the authorities unable to balance their budget first will ultimately face the biggest impact upon services. For 2025/26 the Government has agreed to provide 29 councils with support to manage financial pressures via the Exceptional Financial Support process.

2025/26 REVENUE BUDGET MONITORING – PERIOD 4

16. The Period 4 revenue budget monitoring exercise shows a net forecast overspend of £8.1m. A summary of the position is shown below and in more detail in Appendix A.

2025/26 REVENUE BUDGET MONITORING STATEMENT
AS AT PERIOD 4 (JULY 2025)

	Updated Budget £000	Projected Outturn £000	Difference from Updated Budget £000	%
Schools Budget – Schools and Early Years	0	-3,250	-3,250	
Schools Budget – High Needs	0	45,090	45,090	
Net Total	0	41,840	41,840	
Children & Family Services (Other)	143,151	154,441	11,290	7.9
Adults & Communities	236,969	235,929	-1,040	-0.4
Public Health	-2,746	-2,746	0	0.0
Environment & Transport	118,363	117,273	-1,090	-0.9
Chief Executives	16,859	16,549	-310	-1.8
Corporate Resources	39,338	39,568	230	0.6
Capital Financing	14,800	14,800	0	0.0
Contingency for Inflation	32,925	24,825	-8,100	-24.6
Other Areas	-3,271	-9,071	-5,800	n/a
Contributions to earmarked reserves	22,600	35,300	12,700	56.2
Contribution to General Fund	1,000	1,000	0	0.0
Contribution from budget equalisation reserve to balance 2025/26 revenue budget	-4,653	-4,653	0	0.0
Total	615,335	623,215	7,880	1.3
Funding	-615,335	-615,095	240	0.0
Net Total	0	8,120	8,120	

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

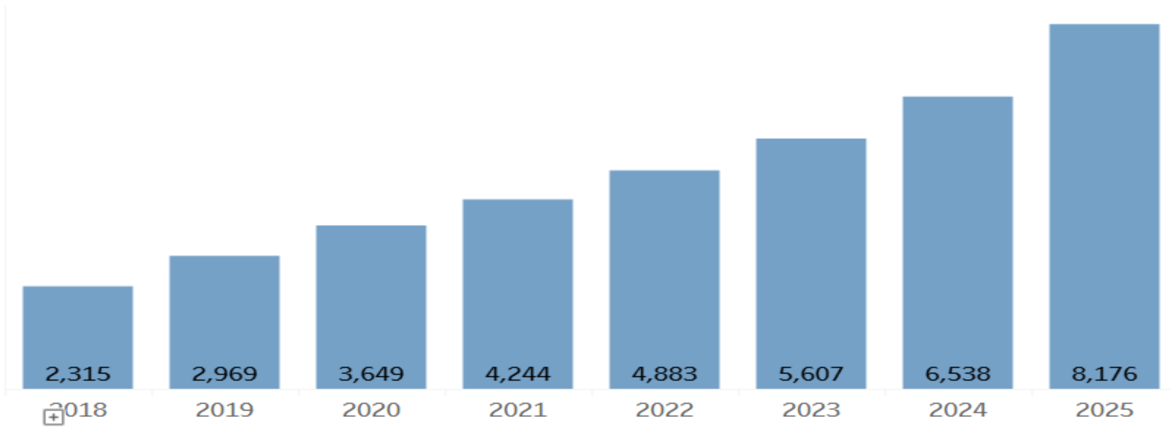
Children and Family Services (C&FS) – Schools Budget

18. Overall there is a net overspend of £41.8m on the Dedicated Schools Grant. This comprises an overspend of £45m on the High Needs Block, offset by an underspend of £3.2m on the Early Years Block.

19. The High Needs Block projected overspend is circa £30m more than the budgeted £15m overspend. This is largely due to increased volume/demand on the placement budget compared with the budgeted assumptions based and set using Autumn 2024 data / intelligence.

20. Since that position, overall demand through the front door has continued to rise, which is further illustrated in the chart below, which shows active Education Health Care Plans (EHCPs) over time by calendar year. Currently there are 8,176 EHCPs, a 25% increase on numbers compared with 2024, with still a third of this calendar year to run. Whilst further analysis of both demand and costs are planned over the coming months as part of MTFS planning (which will include a greater understanding of the number of EHCP's and children on a funded package) it is anticipated demand of funded packages will reach a weighted average over the financial year of 8,500 funded packages by March 26 (a 22% increase compared with the budgeted position post-mitigations).

Total Active EHCPs over time by Calendar Year



21. Whilst there are still several variables and uncertainties which may result in changes in either demand and costs, this is all under constant review and challenge with the appropriate governance and oversight in place. At the end of 2024/25 the accumulated High Needs deficit stood at £64.4m and is now projected to rise to £109.5m at the end of 2025/26. On the basis future demand remained as per 2025/26 numbers, the cumulative High Needs deficit could increase to circa £260m by March 2030, with any increased demand only likely to worsen the subsequent funding gap over the MTFS period.

22. Nationally, concern over the impact of Special Educational Needs and Disabilities (SEND) reform on High Needs expenditure, and the financial difficulties this exposes

local authorities to, is growing. Whilst the Government's White Paper is set to result in systemic changes to the national SEND system, such changes may take several years to deliver and none appear to directly address the funding issues. Any announcements linked to SEND reform are now not expected until Autumn 2025 at the earliest.

23. Other authorities are experiencing similar pressures in SEND and national data shows that Leicestershire's change in demand since 2018/19 is at 70.4% and below the national average change in demand of 80%.

24. The Transforming SEND in Leicestershire (TSIL) Programme has moved to an implementation and sustainability phase and improvements created during the design stage are being actively measured and tracked and reflected as part of TSIL MTFS savings requirements. For example, the mix of SEND placements is now looking more positive in comparison to the position in previous years. (i.e. the percentage of placements in mainstream are projected to reach 50% this financial year compared with 43% two years ago). As a result current MTFS TSIL savings for 2025/26 of circa £12m are on track to be delivered. Without the impact of this the financial pressures would be significantly larger than currently forecast this financial year.

25. Despite current planned mitigations, at the levels of expected / projected growth, the financial position is unsustainable. As such it is essential that the planned measures to respond to higher demand are successful, and further mitigations and actions are actively considered to reduce the projected financial overspend on the Dedicated Schools Grant High Needs funding block. This work is currently underway, and its impact will be reflected as part of the wider MTFS planning work over the coming months. An update on actions to mitigate the current forecast deficit will be included in the next report and a workshop for the Scrutiny Commission and members of the Children and Families Overview and Scrutiny Committee has been scheduled for 15 October to discuss this in more detail.

26. The Early Years budget is showing a forecast underspend of £3.2m. This is due to Early Years entitlement typically funded for 38 weeks for the financial year, but due to how the calendar aligns in 2025/26, only 37 weeks fall within this financial year. The overall underspend position includes the budgeted planned underspend of £1.1m as part of the payback of previous years' Early Years deficits.

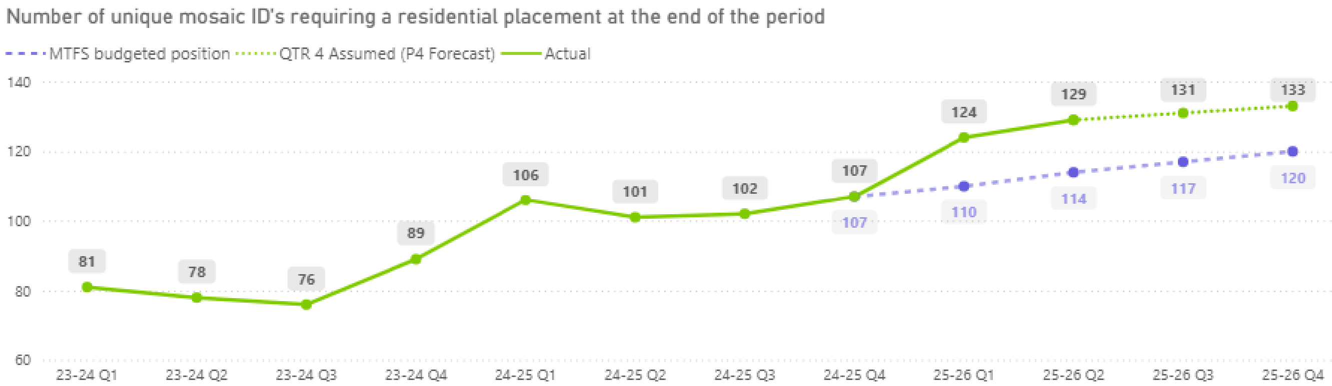
Children and Family Services – Local Authority Budget (Other)

27. The Local Authority budget is projected to overspend by a net £11.3m (7.9%), mainly relating to projected overspends on the Children's Social Care Placements budget (£9.9m), Disabled Children's Service (£1.1m) and Education Psychology/SENA (assessment) Service (£1.1m).

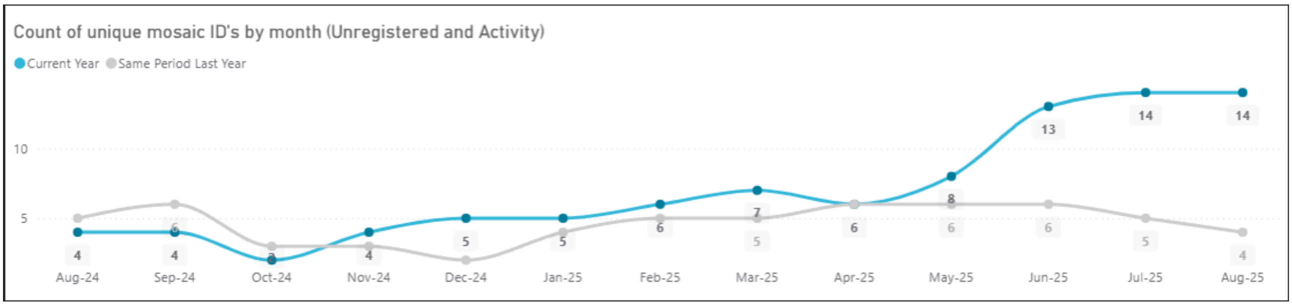
28. The projected overspend on the Children's Social Care Placement budget (£9.9m) is largely due to a small but financially significant change in demand / numbers in relation to children in residential provision, in comparison to budgeted assumptions. The MTFS for this financial year assumes budgeted residential numbers by March 2026 to be at 120 children (includes parent and child placements). Trend and demand

analysis at the time of budget setting, and then subsequently until the end of quarter 4 of 2024/25, showed demand remaining relatively stable.

29. However, as illustrated in the graph below, numbers to date during 2025/26 have risen sharply. As at mid- August 2025 numbers in residential provision stand at 129, and current projections assume by the end of the financial year this number could rise to 133 (11% increase vs budgeted mitigated position in terms of overall volume).



30. Of this overall increase in numbers, a small but financially significant increase in the number of unregistered and activity placements can be seen from May 2025 (see graph below). Unregistered placements are used when no other option is available and are more costly than registered residential placements, with the average weekly cost of such provision ranging from between £13,000 to £17,000 over the last 12 months. The current placement budget allows funding for up to five children in this provision type over the financial year. There are currently two placements costing above £30,000 per week, which is unprecedented, but unavoidable due to the needs of the children requiring secure provision. This type of provision is rare and is only put in place following a court direction.



31. Over the past 4 years the number of children who have started in unregistered and activity provisions has increased by more than 100%. Often such provision types are the only options available to the Council for some children with often the most complex needs who come into the Council's care or require an emergency placement. Due to a national and local placement sufficiency pressure, the Council is often left with no choice in the placements that it brokers for children. For children with the most complex needs the market and placement sufficiency are even more challenging and placements more costly, adding an increased financial burden to the budget. As at mid-August 2025, there are 14 children in unregistered/ activity placements, the highest number the Council has ever had (180% increase vs budgeted position).

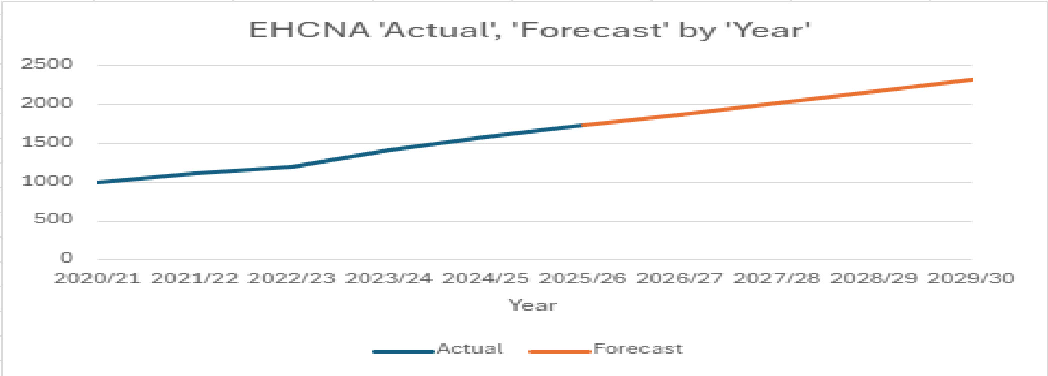
32. For all children in activity / unregistered placements, searches are regularly undertaken to source a registered provision. However, there is currently a gap in the market to support these children, and work needs to be undertaken with providers with a view to how they can support within the remit of their Ofsted registration. Often providers are unable to care/ continue to care for children due to complex needs.

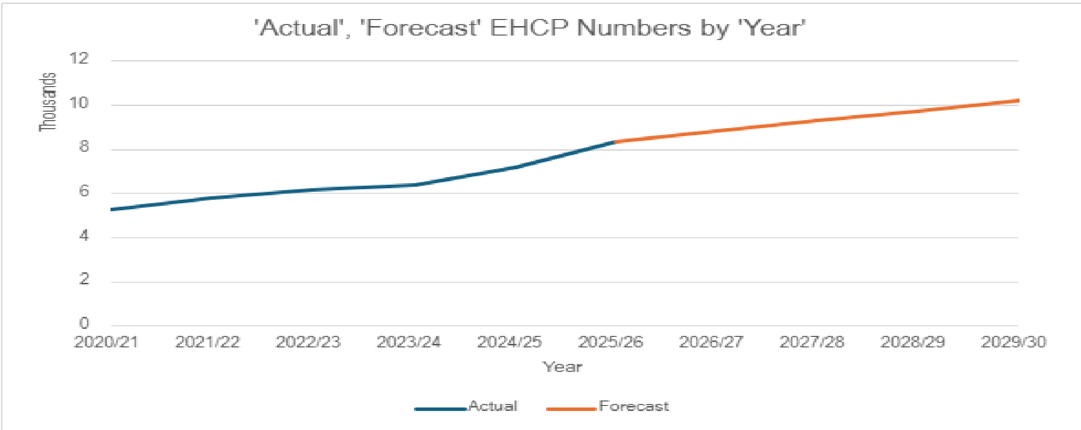
33. All children in unregistered placements have oversight from senior managers in the Department and their circumstances and progress of placement searches are discussed in a weekly meeting chaired by the Assistant Director. In the last 12 months nine of the children who were placed in either an activity placement or an unregistered placement for a period have now moved into a registered home at a lower weekly cost.

34. As part of the direct actions being taken to mitigate against these financial pressures, the Defining Children and Family Services for the Future programme has several workstreams to enable MTFS benefits to be achieved alongside the Social Care Investment Programme (SCIP) working in partnership with Barnardo's. This will have a positive impact through the creation of additional residential provision capacity for under-16's, over-16's and parent and children places. In conjunction with the Departments smarter commissioning MTFS programme of actions, this is showing a positive trajectory in terms of current weekly unit costs compared with the budgeted position, with the average weekly weighted average (excluding parent and child and secure) being £334 per week less than the mitigated budgeted position. The annualised impact of this for circa 100 children in residential provision is over £1.7m of avoided costs.

35. Other departmental budget variances include: a projected overspend on the Disabled Children's Service of £1.1m. This is linked to increased demand of support across both direct payments and commissioned services. The Children's Innovation Partnership with Barnardo's will see the creation and opening of an overnight short break unit by the end of 2025, to support children with a disability, and ensure such demands in this area can be managed in the most appropriate and cost effective manner.

36. The Education Psychology/SENA service is also projected to overspend by £1.1m in 2025/26. As illustrated in the graphs below, continued increased demand due to an increase in the number of EHCPs and Education Health Care Needs Assessments (EHCNAs) has further affected the overspend position within these service areas due to increased caseloads. The assessment of the medium to long term impact of current demand on this service is currently underway for the purpose of MTFS future planning.





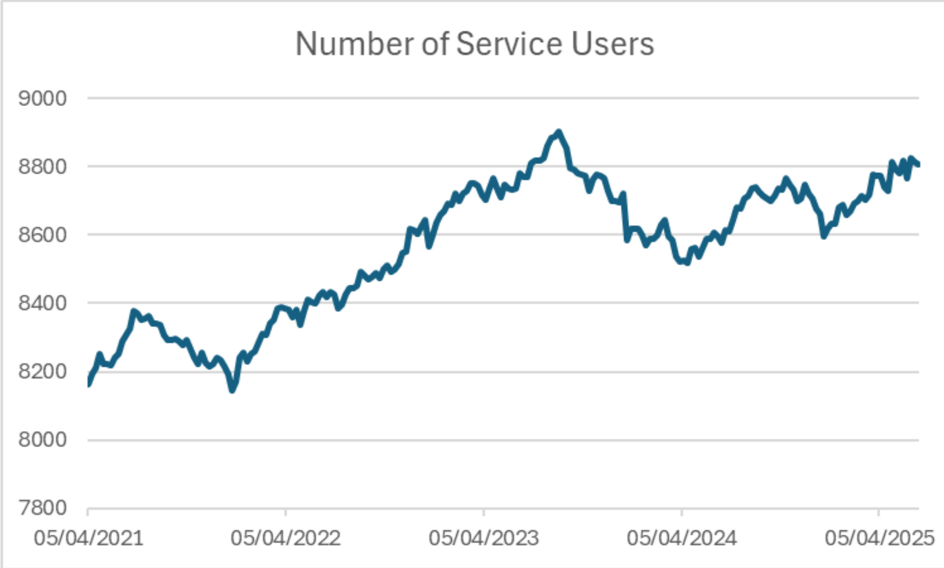
37. As a direct response to the financial pressures which are being seen in-year across the different service areas, the departmental management team undertook a review of non-statutory services supported by the introduction of corporate led financial controls. Together with continued robust management and review of vacancies within the department the output of this work has delivered net one-off in year efficiencies, and budget opportunities of £0.8m, which includes delaying recruitment to non-essential posts where appropriate, as well as maximising any grant funding to ensure such prescribed outcomes can be met in the most efficient, effective and compliant way possible. Further work is being undertaken to explore the feasibility of this work and its scope to deliver on-going future budget efficiencies.

<u>Adults and Communities</u>

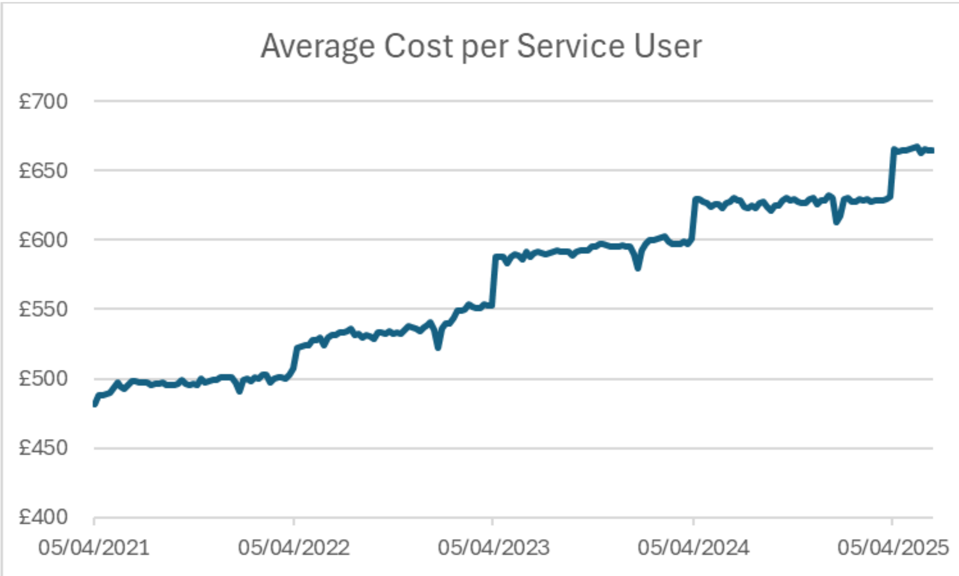
38. A net underspend of £1.0m (0.4%) is forecast for the revenue budget for 2025/26.

<u>Overall Demand Trends</u>

39. The chart below shows the overall number of service users being supported across Residential Care, Homecare, Supported Living, Direct Cash Payments and Community Life Choices from April 2022 through to June 2025. Prior to the introduction of the Fair Outcomes Panel in September 2023 annualised growth from April 2021 to September 2023 was approximately 3.5%. Since then, the department has worked to be more efficient with commissioning and the growth in service users supported has decreased to an annualised rate of 1.9% over the whole period. Over the course of the next year there is expected to be additional demand from reducing the number of cases that are awaiting to be allocated to social care teams.



40. The average cost per service user rose over the same time period. The rise from April 2025 relates to the annual fee review uplift. Uplifts occur in April each year.



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

42. The main areas of budget variance forecast in 2025/26 are:

<u>Supported Living - £2.4m overspend</u>

43. There are estimated to be between 25-30 new service users over the course of the year which represents the long-term historic trend. Higher service user numbers were incurred after budget setting for 2025/26. The budget is based on a total of 530 service users over the course of the year and currently there are 534 service users at £1,780 per week.

Residential Care - £1.3m overspend

44. There is expected to be a shortfall in the service user income budget of £1m primarily from an increased forecasted contribution that will be required at year end to the credit loss allowance provision. Health income is forecast to be £0.3m under budget due to numbers of funded service users being lower than budgeted. Service user numbers peaked in October 2024 before decreasing to levels similar to a year ago. However, in recent weeks the service user numbers have started to increase again. The overall average for the year is forecast to be 2,450 service users per week costing an average of £1,157 per week.

Adult Learning - £0.7m overspend

45. Forecast overspend due to reduction in grant funding announced in April 2025 of £0.3m. HR action plans prepared to deliver savings but expecting overspend in operational costs and £0.4m exit costs from restructure. Potential additional income through national insurance rebate currently being investigated which may reduce overspend.

Better Care Fund (Balance) / Other NHS Income - £1.4m underspend

46. Discharge to Assess income of £2.4m which can be used to support discharge-related costs from hospital are expected against a budget of £2.8m. Better Care Fund income from the minimum contribution to the Council is £1.8m above the budgeted amount.

Home First - £1.0m underspend

47. The underspend is primarily from vacant support worker posts within the HART (reablement) Service that are in the process of being filled. Recruitment is ongoing as part of the department's plan to increase the HART workforce to enable more cases to be retained by the service thereby requiring fewer referrals to the external Homecare sector, which should generate better longer-term outcomes for the department. Recruitment, however, remains difficult within the social care market.

Supported Living, Residential and Short Breaks - £0.8m underspend

48. It is difficult to recruit staff in the current social care market across the Council’s Short Break sites. A recruitment campaign is ongoing to fill vacancies which will allow the Short Breaks sites to increase its capacity which is linked to an MTFS saving. A plan for continuous improvement is in place focused on driving up quality taking into consideration learning from the Care Quality Commission across all service areas

Care Pathway - £0.7m underspend

49. Staffing vacancies both within the Cognitive and Physical Disability and Learning Disability and Autism care pathway teams reflect the current difficulties in recruiting the appropriate adult social care staff.

Non-Residential Income - £0.6m underspend

50. Increased Health income of £140,000 is expected from existing Supported Living service users, who receive a health contribution towards their packages. In addition, there is a further £0.3m of health income expected because of the growth in service user numbers within Supported Living to the end of the year. Non-residential client income is also forecast to be higher than budgeted by £0.2m overall.

Homecare - £0.6m underspend

51. Service user numbers have fluctuated broadly to near levels observed at the start of the financial year and have not yet increased as expected. In April 2025 service user numbers were 2,705. Currently there are 2,690 service users. The winter period may increase service user numbers, reducing any underspend.

52. The net underspends above are increased by a net £0.3m underspend mainly from staffing vacancies and other minor variations.

Public Health

53. The department is forecasting to be on budget.

Environment and Transport

54. A net underspend of £1.1m (0.9%) is forecast.

55. Across Highways and Transport operations a net £0.7m overspend is forecast as a result of:

- Social Care Transport - £0.8m overspend arising from increase in taxi spend as a consequence of insufficient service provision within Passenger Fleet and growth in the number of users.
- Reactive Maintenance - £0.4m overspend arising from additional costs to meet policy from continued deterioration of highways assets.
- Mainstream School Transport - £0.3m overspend. Increase in overall number of students entitled to mainstream school transport (6.7% since 2021/22) and a rise in the number of routes. Bus operational costs have also increased, resulting in higher contract costs which, combined with limited bus capacity, has resulted in a greater number of pupils being transported by taxi.
- Passenger Fleet – £0.6m underspend due to vacant driver and escort posts, net of additional vehicle hires and maintenance costs.
- Network Management - £0.1m underspend arising from additional permitting income from utility companies.
- Highways income - £0.1m underspend arising from increased vehicle access income.

56. SEN Transport is currently forecasting to spend to budget; however, there is a risk that costs could potentially increase by £1.6m if 44% (a figure based on historical data) of the 470 pupils, who currently have an active EHCP but no school provision, require transport to attend their allocated school.

57. Development and Growth services are reporting a £0.6m underspend arising from vacancies across teams (£0.5m) and school crossing patrols (£0.1m).

58. There is a net underspend of £1.0m reported for Environment and Waste Management services caused by additional income from the sale of dry recyclable and electrical materials (£0.4m), lower composting tonnage (£0.3m), and underspends arising from changes to waste treatment including diverting waste away from landfill (£0.2m) and haulage (£0.1m).

59. The remaining balance relates to an underspend on department and business management due to staffing vacancies (£0.2m).

Chief Executive's

60. The Department is reporting a forecast net underspend of £0.3m (1.9%), mainly due to staffing vacancies within the Growth Unit (-£165,000) and reduced casual staffing costs and additional income within Registrars (-£170,000).

Corporate Resources

61. A net overspend of £0.2m (0.9%) is forecast.

62. The main driver for the department's overspend position is Commercial Services which is reporting a shortfall in income of £0.8m. Trading remains difficult mainly due to the financial position of schools, which is affecting demand for commercial services such as school food and LEAMIS (business) services. In addition, despite action being taken to mitigate the financial impact of the temporary closure of Beaumanor Hall, losses are expected to be larger than anticipated.

63. Early delivery of future savings (totalling £0.5m) across both Property Services and IT, together with underspends arising from reduce utility costs across the estate (£0.2m) and increases in internal income (£0.1m) have been offset by delays in current-year savings delivery (£0.1m) and property disposals (£0.1m).

Central Contingencies

64. MTFS Risks Contingency (£8m). No release of the contingency has been assumed in the projection at this very early stage but can be used to manage the overspend position if other mitigations are not successful.

65. Inflation Contingency (£8.1m). The contingency is currently projected to be underspent by around £8.1m in the current year. This mainly relates to forecast lower costs on social care fee reviews than anticipated in the MTFS, along with lower forecasts on running costs, particularly regarding provision for the impact of National Insurance increases on supply chain costs. Also, the pay award for 2025/26 of 3.2% is lower than the provision of 3.5% made in the MTFS. The position on a number of other requirements on running cost inflation should become clearer as the year progresses so at this stage there is some uncertainty in this estimate.

66. Service Investment Fund. This budget (£1.2m) has been transferred for 2025/26 purposes to the Environment and Transport budget, to be used for flood investigation and scheme development work to address flooding as well as bidding for funding for project delivery. It will also provide capacity to administer Government flood-related grant funding.

Central Items

67. Financing of Capital net costs are forecast to be on budget.

68. Bank and other interest, £4m forecast increased investment income. Due to the Bank of England base rate levels being higher and for longer than forecast, and higher than estimated average Council cash balances. The Bank of England base rate stands at 4% with market forecasts of one further reduction being in quarter one of 2026. Average balances remain strong due to increases in reserves at year-end, the rephasing of the capital programme and government grants received in advance.

69. Central expenditure budgets are currently forecast to underspend by £1.8m, mainly relating to the cleansing of receipted aged purchase orders that are no longer required and increased allocations from forecast ESPO surpluses.

70. Additional contributions to corporate earmarked reserves of £12.7m. This mainly relates to an additional contribution to the Budget Equalisation reserve to provide additional cover for the increase in the forecast High Needs Block deficit.

71. The original MTFS projected a net gap in 2025/26 of £4.7m which was planned to be covered by a contribution from the Budget Equalisation reserve. Given the current forecast position, that contribution is shown as still being required.

Business Rates

72. Additional business rates income of around £40,000 is forecast in 2025/26, based on the latest information from district councils on their NNDR1 forms and forecast section 31 grants.

73. Reduced Business Rates Pool levy income of £0.3m is forecast for 2025/26. The current forecast based on data in the NNDR1 forms and updated forecasts from five of the seven district councils shows a total of £23.1m, of which one third (£7.7m) will be allocated to the County Council under the current treatment of levies reported to the Cabinet in June 2023, compared with the forecast of £8.0m included in the 2025/26 budget. Monitoring of the 2025/26 Pool will continue, with the next exercise taking place during October. An update will be provided in the next monitoring report.

Overall Revenue Summary

74. At this stage the revenue budget is forecast to have a net overspend of £8.1m. It should be noted that this amount is broadly similar to the £8m held in the MTFS Risks contingency although the first priority in managing the overspend will be to mitigate areas of cost pressure and identify potential savings. However, this will require the use of £5m of reserves to balance the budget for the financial year.

75. The Director of Children and Family Services is looking at options to manage demand and cost across social care placements and SEND provision and this may require changes to the current approach to meeting need. The escalated financial controls, introduced in December 2023, will remain in place for the foreseeable future and are currently being reviewed to ensure they remain effective.

76. Given this is very early in the financial year and the impacts of demand and inflation on the County Council budget are difficult to assess, the position is still subject to change, particularly in relation to demand-led social care budgets. The position will be updated as more information is known during the financial year.

CAPITAL PROGRAMME – CAPITAL REVIEW

77. Over the summer the four-year capital programme has been reviewed and refreshed to reflect the latest estimates and profile of capital schemes, new capital grants and other funding changes.

78. The original MTFS 2025-29 capital programme totalled £439m. This was increased to £498m as at Period 3 after the rephasing of expenditure from the 2024/25 outturn and additional funding notified since the programme was set, for example, new government grants and section 106 contributions.

79. Following the review the revised four year capital programme now totals £571m. The main changes are:

- Local Transport Grant, £52m between 2025-26 and 2028/29.
- Section 106 contributions, £10m added to the C&FS programme.
- Earmarked capital receipts, £4m added to the C&FS programme.

Details are included in the following paragraphs.

80. The revised 4-year programme is summarised below, and shown in detail in Appendix C.

Capital Programme Expenditure 2025-29	**Original 2025-29 Programme** £000	**Updated 2025-29 (Period 3+ Outturn)** £000	**Revised 2025-29 (Aug 25 Refresh)** £000	**Revised Programme Changes** £000
Children & Family Services	83,140	94,056	117,941	23,886
Adults and Communities	24,330	25,859	25,885	26
Environment & Transport	200,732	231,925	285,523	53,598
Chief Executive’s	200	200	200	0
Corporate Resources	9,650	11,571	8,962	(2,609)
Corporate Programme	120,543	134,566	132,165	(2,401)
Total	**438,595**	**498,177**	**570,676**	72,500

Capital Programme Funding 2025-29	Original 2025-29 Programme	Updated 2025-29 (Period 3+ Outturn)	Revised 2025-29 (Aug 25 Refresh)	Revised Programme Changes
Grant Funding/ Specific Contributions	£000	£000	£000	£000
Discretionary Funding – capital receipts/ Revenue/ Reserves	115,336	144,261	153,394	9,134
Discretionary Funding – borrowing required	83,637	83,637	83,637	-
Total	**438,595**	**498,177**	**570,676**	72,500

81. The key changes from the capital review are described below.

Children and Family Services

82. The four-year programme has increased by £23.9m which relates to the additional school places programme.

83. As part of the review of the programme the department has identified a shortfall in funding to deliver 1,860 additional school places in the next three years across seven schools; the need for places has arisen from housing development across the County. The projects are a mixture of new schools and expansions to existing premises.

84. The cost of delivering the additional places is estimated to be £64.5m. Funding available from DfE basic need grant, earmarked capital receipts, and section 106 contributions totals £28m. This leaves a shortfall of £36.7m in the funding needed as shown below:

Programme Priority	1	2	Total
Year needed	2026/27	2027/28	-
Places created	810	1,050	1,860
Estimated cost	£26.8m	£37.7m	£64.5m
Funding available	£11.8m	£16.0m	£27.8m
Shortfall	£15.0m	£21.7m	£36.7m

85. The shortfall in funding has been caused by both the increased construction costs and funding shortages in legacy section 106 agreements due to high inflation, and a reduction in DfE Basic Need capital funding due to a change in funding methodology implemented this year. To mitigate costs, an extensive feasibility of the standard school building designs was undertaken to review size and specification of buildings. Further to this, as each individual project develops, at the end of each project stage, costs are reviewed and further value engineered to ensure best value is being achieved with specific areas of design being targeted for further cost reductions prior to the contract sum being agreed prior to progress to site.

86. The priority one projects need to proceed to construction this autumn for the delivery of places in time for the 2026/27 academic year. The priority two projects are needed for the delivery of places required in 2027 and 2028.

87. Of the £15m needed for the priority one schemes, £5.6m has been identified through earmarked education capital receipts and departmental revenue reserves, and a further £2.4m by adding cost reduction targets to the project budgets. This leaves a revised shortfall of £7m for the priority one schemes. This can be funded through other changes arising from the review of the overall capital programme:

- £2.6m reduction in the Corporate Resources programme (paragraph 95 below),
- £2.0m contribution from the capital financing reserve. following a review of reserves over the summer, and
- £2.4m balance required from the Corporate programme portfolio risk, reducing the funding available for future capital risks.

88. It should be noted that there is an overall funding shortfall in the Capital Programme of circa £84m, and directing the funding above towards school places projects will reduce the ability to close the gap across the MTFS and may lead to further borrowing being required in the future if no further action is taken.

89. The priority one schemes have been included in the revised capital programme 2025-29.

90. The priority two schemes, requiring additional funding of £22m, have not been included in the revised capital programme 2025-29. This will need to be reviewed as part of the refresh of the MTFS for 2026-30, and is a service and funding risk to the Council.

<u>Adults and Communities</u>

91. Minor reprofiling of spend but no other significant changes.

<u>Environment and Transport</u>

92. The revised capital programme has been increased by £53.6m, funded entirely by additional external funds. The main changes are:

- Transport Asset Management (TAM) Programme - net change of +£45.5m). The Department for Transport (DfT) has announced Local Transport Grant (LTG) allocations of £52.5m across the four years of the capital programme. The grant brings together the Integrated Transport Block (ITB) and the LTG. An estimate of £8m for ITB had been included in the capital programme, which gives a net overall increase of £45.5m. The TAM programme funds essential highways improvements including preventative maintenance, restorative works, street lighting, bridges and flood alleviation works. Details are shown in Appendix C.
- Market Harborough Improvements, £4.4m. Major scheme to increase capacity at key junctions and allow for better walking and cycling connections, improving some bus stops, and CCTV for traffic monitoring and incident management. The

scheme is being funded by developer contributions of £3.3m and DfT Consolidated Active Travel Fund grant of £1m.
- Local Electric Vehicle Infrastructure (LEVI) programme, £3m funded by DfT grant. Additional funding for investment in local electric vehicle charging infrastructure.

93. A report on the LTG funding and improvement works in Market Harborough was submitted to the Cabinet on 15 July 2025.

Chief Executive’s

94. No significant changes.

Corporate Resources

95. The programme has been reduced by £2.6m. This relates to a review of the ICT end user device strategy. The initial proposal for the programme was to replace laptop devices on an average of every 4 years. However, after several years of data and experience the programme has identified that the assets lifespan is now expected to be up to 6 years. This extension in lifespan has led to a reduced annual requirement in the capital programme.

Corporate

96. The corporate programme has been reduced by £2.4m relating to the use of the capital programme portfolio risk fund which has been allocated to the C&FS capital programme. This leaves a four-year balance of £31m on the risk portfolio.

Corporate Funding

97. Additional funding of £2m has been added to the capital programme during the summer refresh, funded from the capital financing reserve following a review of uncommitted reserves and previous year-end capital underspends.

Capital Receipts

98. The estimated value and timing of capital receipts over the MTFS period has also been reviewed. Overall, there are no material changes in the estimated general capital receipts over the four year programme. A detailed review will be undertaken as part of the updating of the MTFS for 2026-30. Earmarked capital receipts, mainly school site disposals where the DfE requires the proceeds to be reinvested in Education capital projects, have increased by £4m and are included in the updated C&FS capital programme funding.

99. The revised capital receipts targets to fund the four-year programme are shown in the table below.

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Property Receipts					
General	8.6	9.7	1.0	1.0	20.3
Earmarked	7.0	0.8	-	2.7	10.5
Sub-total Property	**15.6**	**10.5**	**1.0**	**3.7**	**30.8**
Capital Investments - IiLP	7.9	-	-	-	7.9
Total	**23.5**	**10.5**	**1.0**	**3.7**	**38.7**

100. The capital investments estimate relates to the sale of certain pooled property investments within the Investing in Leicestershire Programme (IiLP). Further details are provided at paragraphs 106 to 131 below.

Borrowing Required

101. Overall, the net funding required for the programme is unchanged at £83.6m.

102. The refresh of the capital programme has also slightly delayed the profile of when internal borrowing will first be needed to fund the capital programme, reducing the amount required in 2027/28 by £5m to £37m. The balance of £47m is forecast to be needed in 2028/29. This delays the cost of borrowing although the pressure on the school's programme highlighted above may reduce the ability to do this in future years.

Capital Summary

103. The review of the capital programme has resulted in updates to the capital programme for the latest known funding available and latest estimates of profiled spend. The revised four-year capital programme totals £571m.

104. The C&FS capital programme has required an additional £7m of discretionary County Council funding to meet the costs of immediate priority schemes required for new school places. It has been possible to fund the additional costs from reductions elsewhere in the capital programme, the capital portfolio risk fund and a contribution from the capital financing reserve, avoiding the need to increase the Council's unsupported borrowing requirement. This may have consequences later in the programme as that funding may have been used to reduce the funding shortfall in later years. There is an additional need for a further £22m of funding for the next priority C&FS new school places. This will be reviewed as part of the refresh of the MTFS for 2026-30 later in the year, and is a service and funding risk to the Council.

105. Overall, the balance of funding required for the capital programme is unchanged at £83.6m.

<u>Investing in Leicestershire Programme – Quarter 1, 2025/26 update</u>

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

107. A summary of the IiLP position at quarter one of 2025/26 is included within Appendix E. This shows forecast total net income for the year of £8.6m which is in line with the budget for 2025/26. The total budget is split between direct core holdings and diversifier investments. The position also includes a budgeted contribution to the sinking fund of £0.7m in 2025/26.

108. The forecast percentage full year net income return for the IiLP is 5.5% for 2025/26 when excluding the development assets still in construction and the rural portfolio. Including these asset classes reduces the forecast net income return to 2.9% for the year as a consequence of the lower percentage returns against the development and rural portfolio which is expected.

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

110. It is planned to commit to replace diversifier investments returning capital during 2025/26. There are currently three private debt investments that are returning capital alongside providing regular income. There is one bank risk share investment made in 2022 which is also returning capital whilst providing income.

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

Proposed ILLP investment to CRF6

<u>Background</u>

112. The IiLP proposes to invest £10m into a bank risk share investment product. The investment strategy is one which is known to the IiLP with the Cabinet having approved the first investment at its meeting in June 2022 (a £10m investment), with a follow on £5m invested, totalling £15m to the same investment product, Christofferson

Robb and Company's , Capital Relief Fund 5 (CRF5). The Council's annual investment strategy allows for a maximum of £20m to be invested into this class of investment.

113. At the latest valuation available (30 June 2025) the net asset value of the existing bank risk share investment in CRF5 is valued at £12.3m. This will reduce as capital is returned.

114. CRF5 has performed ahead of expectations; its target return is 9% pa. It is estimated that the remaining capital will be returned over the next four years and as such a new commitment would need to be made in order to maintain exposure to this asset class. This is a closed ended investment product, meaning capital is returned over the life of the product (which is seven years) and as such regular commitments are needed.

115. The asset class is one that the independent review of the IiLP strategy by Hymans proposed should be in the range from 15-25% of total IiLP assets. This investment will help bring the IiLP back towards the middle of the range.

Bank risk share / regulatory capital relief

116. Within the banking regulatory environment, regulatory capital has to be held as support for loans. This is to ensure that the bank has adequate 'buffers' against losses under a range of scenarios. If a bank wishes to increase its lending activity it has to hold more regulatory capital, and this capital can be expensive. For example, raising equity for regulatory capital can be difficult if the amount to be raised is a large portion of the existing equity value. The riskier a type of loan, the more capital a bank needs to hold in reserve.

117. By arranging a mechanism for transferring the risk for loans made, banks can receive approval from the regulators to hold less regulatory capital against existing loans. This releases capital to support other banking activities or to bring them within regulatory limits.

118. The risk transfer and the approval by regulators makes bank capital relief attractive to both the bank and the investor. As capital is expensive to raise for banks, they can afford to pay a healthy premium to the counterparty (the investor) that the risk is being transferred to. In return, the banks end up with lower risk weighted assets (loans weighted on the level of risk they present to the bank) and better capital ratios.

119. Returns to investors come from the insurance premium paid by the bank which will be distributed to investors, less any fees. The invested capital will be returned as underlying loans made by the bank are repaid less any losses incurred.

Christofferson, Robb & Company

120. Christofferson, Robb & Company (CRC) is a private credit management firm that was founded in 2002 with capital first deployed into bank risk share strategies in 2004 and which specialises in European bank capital release. It has a dedicated team split across mainly London and New York and has the longest track record of managers operating this strategy.

121. The strategy has been known to the Council since 2017 when the Leicestershire County Council Local Government Pension Scheme (LGPS) invested in an earlier release of the bank risk share strategy, Credit Relief Fund 3 (CRF3). The Leicestershire LGPS has invested into CRF5 and more recently in CRF6 and was advised by the investment consultant firm, Hymans.

Capital Relief Fund 6 (CRF6)

122. The current iteration of the strategy (CRF6) targets an internal rate of return (IRR) of 13%. This is higher than the previous fund CRF5 and is due to the higher interest rate environment that is expected to continue whilst bank risk share transactions are being conducted. CRF6 commenced conducting risk transfer transactions in 2024 and is due to close to new investors in late 2025, income distributions will likely commence in early 2026.

123. The premiums paid by banks are linked to the base rate plus a margin. At times of uncertainty or stress in financial markets, the margin being agreed between CRC and the transacting bank can be higher to the benefit of investors if loan losses are below CRC's estimations.

124. The Council's Treasury Management Strategy allows for a maximum of £20m to be invested into this asset class at any one time. It is not proposed to increase this limit and so new commitments of around £10m are proposed given current exposure to the CRF5 product.

Risks

125. As with all investments there is a level of risk that exists. As a part of the review of the IiLP strategy, Hymans Roberston proposed that maintaining an allocation to this asset class would benefit the aims of the IiLP. This proposed allocation is in keeping with that strategy. Types of risk include:

- Leverage – the manager, CRC, can employ leverage (it can borrow and invest alongside investors to boost fund returns). However, this is capped in relation to a percentage of the total fundraise from investors.
- Key person risk – the departure of key employees could affect the quality of deals made and monitored. However, new investments can be halted if a key person departs. This provision exists within the investment particulars is to protect investors.
- Regulatory dependency - CRC relies on the EU Bank Recovery and Resolution Directive (2015) to mitigate risks associated with counterparty defaults and capital recovery. Changes by the European Banking Authority could affect the viability of Bank Capital Relief transactions. CRC will cease investing if this occurs during the commitment period.
- General investment risk – this could come from a variety of sources including poor selection of underlying bank loans to insure and general economic conditions deteriorating that affects the borrower's ability to make payment related to their loans.

The Council's experience with CRC

126. As the administering authority of the Leicestershire LGPS (the Fund), a defined benefit pension scheme for 107,000 members and over 180 employers, the Fund has invested in three vintages of the bank risk share strategy.

127. The strategy has remained almost identical during the period since the first investment, in CRF3 in 2017. The Fund has since invested capital in CRF5 and CRF6. The table below shows the returns for the CRF 1 to 5.

Vintage name	Launched	Stage	Target return and actual
CRF 1	October 2012	Returned capital / matured	8-10%: actual in line
CRF 2	March 2015	Returned capital / matured	8-10%: actual below target
CRF 3	April 2018	Returning capital	8-10%: actual in line
CRF 4	September 2019	Returning capital	8-10%: actual top of range
CRF 5	September 2021	Returning capital	8-10%: actual ahead of range

128. The returns for CRF4 and 5 have been positively impacted by the increase in bank interest rates from which CRC prices risk sharing deals with banks.

129. The strategy which transfers loan risk to the investor are usually loans to small and medium sized enterprises (SMEs). These SME loans and CRCs knowledge and deal pricing has meant losses have been minimal. Over the 260 individual bank risk share deals that CRC have taken part in over the various vintages which have totalled over 16billion euros, the total losses equate to 6.5million euros or about 0.05% of total capital invested on behalf of investors.

130. CRC structures each deal to recover its capital if losses in the reference portfolio turn out to be much higher than expected. CRC constructs transactions that can withstand 3 times to 5 times stress for five years versus the base case which is defined by European banking regulations and is generally considered to be prudent. Transactions are typically stress-tested for 4 to 5 times the base case defaults

131. CRC's own analysis (presented to the Local Pension Committee in October 2024) states SME defaults on loans to be less cyclical than defaults on loans to large corporates.

Additional assurance

132. Hymans , which provides investment advice and is regulated by the Financial Conduct Authority, has provided assurance regarding the investing in CRF6. The advice is follow-on advice received by the Leicestershire County Council Pension Fund in October 2024 when the Fund's committee approved an investment in CRF6.

133. Hymans still consider CRC's Capital Relief Fund a "suitable investment"; it notes there have been "no key changes" at the manager level (CRC) or changes to the investment approach since its last review. The team has been expanded at junior level within investment, risk management and operations.

134. The investments within CRF6 are well developed and with around $0.5 billion been raised to date. The majority of this $0.5 billion having been deployed into bank risk share transactions which are currently performing in line with expectations with the first investments taking place in the last quarter of 2023. The existing investments (although not individually reviewed by Hymans) provides a degree of assurance versus investing at the outset when no investments having would have been completed.

Summary

135. The Cabinet on 12 September will be recommended to approve additional treasury management investments in bank risk sharing product (capital release funds) in line with the Council's approved Treasury Management Strategy, up to a maximum holding at any one time of £20m.

MTFS REFRESH 2026 - 2030

National Position

136. The Chancellor laid out the latest economic plans in detail as part of the spring statement at the end of March (https://www.gov.uk/government/topical-events/spring-statement-2025). Key headlines from that announcement were:

- Growth of 1% expected in 2025 rising to 1.9% in 2026
- Overall government departmental expenditure limits will grow in 1.2% per year in real terms from 2025-26 to 2029-30
- £2.2Bn of savings per year on back office functions (administrative budgets to be reduced by at least 15%)
- A spending review in June will set out spending plans for the four years to 2028/29

137. The spending review (https://www.gov.uk/government/publications/spending-review-2025-document/spending-review-2025-html) then subsequently provided more specific for local government including:

- The Local Government departmental expenditure limits will increase from £15 billion in 2025/26 to £15.8 billion in 2028/29
- Core Spending Power will increase from £69.4 billion in 2025/26 to £79.3 billion in 2028/29 (2.6% growth in real terms)
- £500m funding to support children remaining in their family environment and prevent going into care

138. It's important to note that the increases in council's Core Spending Power include assumed increases in both Council Tax and Business Rates, meaning that increases

in government grant funding are much lower and some authorities could see a real terms loss if Council Tax was excluded.

139. More specifically the additional funding announced for children's social care, SEND support, and housing was useful, but will be insufficient to prevent many councils from being under severe financial pressure in the near future, even after setting council tax at the maximum permitted level.

140. CPI inflation peaked in October 2022 at 11.1%, then steadily reduced back down to 1.7% in September 2024. Since then, the figures have risen and the latest figure, for July 2025, stands at 3.8%. The Bank of England is currently forecasting that inflation will increase to around 4% in the next few months (driven by higher food prices) before beginning to fall back towards the 2% target.

141. The pressures of inflation coupled with an ever-increasing demand for core services, is presenting a challenge across the whole local government sector. However, as a very low-funded authority Leicestershire is much worse placed than most to resolve the problem.

142. Annual growth in employees' average earnings was 5.0% as at May 2025 (5.5% public sector, 4.9% private sector), down slightly from 5.3% in the previous quarter but still sufficiently high to create ongoing inflationary pressure.

143. The UK unemployment rate is currently at 4.7% with just over £9m people economically inactive. This has increased from a rate of 4.2% last year.

144. Rising wages and continued relatively low unemployment levels will to some extent boost tax revenues although the ongoing higher level interest rates will increase the costs of servicing the national debt.

<u>Leicestershire Position</u>

145. The MTFS is currently being refreshed although this is difficult without the full implications of the Fair Funding Review being known. Growth and savings are being reviewed to ensure they are realistic and robust. There continues to be a great deal of uncertainty around the likely ongoing impact of inflation, business rates and other service reforms, e.g. to SEND, as well as the Council's core income levels.

146. As well as the impact of growth and inflation there are a number of other risks and challenges that will feed into the financial position.

<u>Fair Funding Review (FFR)</u>

147. The FFR implementation date was postponed several times by the previous Government. The current Government is planning to implement FFR with effect from 2026/27. A consultation on the proposals was undertaken over the summer. The Government did not provide exemplifications but modelling has been undertaken by Pixel for the County Council Network and Society of County Treasurers. The modelling also includes the potential impact of the Business Rates Reset, planned to take effect in 2026/27. The modelling indicates that the County Council may see minor

benefits from the proposals but this is based on a number of assumptions and is subject to change.

148. Most County Councils appear to have relatively better potential outcomes than previously feared, due to the narrative created by Government and the increased weighting applied to deprivation when additional funding was allocated in the last Local Government Settlement. However, Inner London councils and shire district Councils appear to lose significant funding and Metropolitan areas gain less than they were expecting. It is possible that the Government, potentially on the back of lobbying from groups representing those authorities, may adjust the proposals, such as increasing the weighting of deprivation factors, which could lead to a worse outcome for County Councils.

149. The Ministry of Housing Communities and Local Government is due to release a Policy Statement by early October which will include final Fair Funding proposals and further information on how the funding of individual authorities will be affected. A three-year Settlement covering 2026/27 to 2028/29 is due to be announced at the end of November.

150. While the potential results of the FFR are welcome, any benefits are not likely to be material and so will not solve the financial issues that the County Council faces in the medium to long term. It is also expected that Leicestershire will see reduced funding overall due to the expected losses of some district councils.

Pay award

151. A full and final offer of 3.2% for Local Government Services, Chief Officers and Chief Executives has been accepted by two of the three trade unions. The MTFS assumption was for an average of 3.5%.

152. No proposals have been made for future awards in future years. The current assumptions included regarding pay increases in 2026/27 and later years are for average increases of 3.5%. Each 1% equates to around £2.2m.

National Living Wage

153. The National Living Wage (NLW) interacts with the impact of the pay award for internal staff. But there are additional costs associated with commissioned services, especially in Adult Social Care. Each 50p increase on the rate adds approximately £10m to the Council’s bottom line.

154. An announcement of the NLW for the next financial year is usually made alongside the Autumn Budget. The Government takes into consideration the recommendations of the Low Pay Commission, which is anticipating that the NLW from April 2026 will be between £12.55 (2.8%) and £12.86 (5.3%), with a central estimate of £12.71 (4.1%), compared with the April 2025 figure of £12.21.

Running costs

155. The current MTFS allowed for running cost inflation of 3% for 2025/26 onwards. At present the assumption for 2025/26 is anticipated to be generally adequate but there are a number of significant inflation items which are still to be resolved over the coming months, and any amounts in excess of the provision made in the current MTFS will impact on the position for the new 2026-30 MTFS.

Special Education Needs and Disabilities

156. The underfunding of SEND has caused a significant financial problem for the County Council for a number of years. At the time the budget was set, the cumulative deficit between SEND costs and High Needs funding was expected to reach £81m by the end of the current financial year and grow to £118m by the end of the MTFS. Predictions going forwards are uncertain, the latest forecast for 2025/26 shows a significantly worsening position. The statutory override has been extended until 31 March 2028 but this is only a temporary solution and the government will need to consider how to address historic deficits as well as future funding shortfalls.

Services Demand

157. The existing pressures within the MTFS are continuing, particularly in relation to Children's services and SEND and this could require increases in growth and adverse in year budget variations. When the MTFS is refreshed and extended for a year, 2029/30 in this case, the new year adds between £25m and £30m to the financial deficit.

Mitigations

158. There are also a number of factors that could potentially help mitigate the financial risks:

Council Tax	Permitted increase without a referendum is increased. The 2025-29 MTFS assumed maximum increases of 2.99% in 2026/27 and later years. The 2025 Spending Review indicates that the referendum limit will remain at 4.99% for the next three years. A 1% increase in council tax precept would generate c.£4.2m for each year permitted.
Council Tax Collection funds net surplus	2026/27 currently includes a net £0.5m forecast. Latest forecasts show that a net surplus of £0.9m from 2025/26 could be available.
Business Rates (BR) Pool surpluses	The current MTFS does not include any forecasts for County Council shares from the Business Rates Pool beyond 2025/26. The latest forecast for 2025/26 is c£7.7m. The Government plans for a Business Rates Reset in 2026/27 and the Pool levy could reduce to around £0m. Also, the Government has not decided if Pools will continue in 2026/27.
Additional interest on cash balances	Upward movement on interest rates leads to greater returns on treasury management activity.
Pension Fund Valuation	The triennial revaluation of the Leicestershire Pension Fund is currently in progress and draft results show an improving funding level and proposals to reduce the County's annual contribution rate by 6% from 2026/27.

159. The implications of the various issues described above will be assessed based on the latest emerging information over the coming months and fed into the December Cabinet report. Whilst the current MTFS forecast will undoubtedly change, the scale of the challenge is highly unlikely to diminish to the point that the County Council would not need to take significant corrective action, especially given the increasing pressures in Children's Services.

160. To balance the budget the use of reserves or other short-term measures may need to be considered as was the case with the County Council's 2024/25 and 2025/26 budgets, with £6m and £5m respectively being required from reserves to balance the initial budgets. Whilst this can deal with short term problems it does not solve the structural imbalance between income and expenditure that inflation and spending pressures are causing.

161. In order to identify further areas where savings can be made, the Council is commissioning an external efficiency review. This will review the Council's current savings plans and recommend new opportunities to reduce costs and deliver services differently. The procurement process is expected to be complete before the end of October and the Cabinet will receive an update at its meeting on 28 October. Alongside this, delivery of existing savings will continue and savings under development accelerated where possible. Savings will focus on options around alternative service delivery options, increased income, reduced demand. It is inevitable, given the scale of savings already delivered, that options will need to include stopping or reducing some services.

162. Crucial in progressing this is the need to push on crystalising the savings under development. The latest position on these is included in Appendix E.

163. Growth will be subject to significant scrutiny to ensure future projections are robust. Additional growth will only be included for unavoidable demand driven pressures. Growth for service improvements is clearly unaffordable and so will not be included.

164. With respect to capital schemes and projects, there is no room for additional schemes to be added unless they are invest to save, related to end of life of assets needed for essential service delivery, or fully funded from external sources.

165. The revised capital funding gap is unchanged at £84m. With interest rates now having increased significantly the annual costs to fund the borrowing have increased and this gap needs to be reduced.

166. Core service capital schemes (such as Highways Maintenance and Schools) will be restricted to the annual capital grant allocations and banked developer funding only although there are some emerging pressures on schools' places which has required a short term change to this strategy. Services such as ICT and Property will need to be focussed on maintaining service delivery rather than enhancing it. In some cases, where it is possible, there will be a need to until they can be delivered or after inflationary or acute current cost pressures subside, mothball schemes.

167. Many Councils are increasingly putting control measures in place to address overspends, the scale of which may depend on the severity of the financial position. In December 2023 the Council introduced a range of escalated financial controls which include:

- Additional approval requirements by Chief Officers for all recruitment.
- Reviewing agency and overtime spend by Directorate Management Teams to ensure it is essential for service delivery.
- Introduction of a Corporate Procurement Board to review all procurement activity over £100,000, and all exceptions to the Council's Contract Procedure Rules.
- Restrictions on non-essential spend, which includes travel, training and stationery.
- Restrictions on the use of consultants and special advisors.

168. Given the MTFS position, these controls remain in place and are reviewed regularly. These controls are in addition to officers' usual financial responsibilities. For the spend controls to be successful, continued ownership by everyone who has a part in spending or generating income is vital.

169. It should be noted that spending controls do not mean service cuts, although they should influence how services are delivered. Future savings will not be prioritised based on where spend was reduced through the controls and managers will need to consider the potential to make permanent changes to their services.

Planning Framework

170. The key Government announcements in the coming months will be;

- Policy Statement in relation to final Fair Funding proposals – end of September/early October.
- The Autumn Budget Statement late October/ early November.
- The Provisional Local Government Finance Settlement expected late November.

171. The broad MTFS timetable is:

- September to November 2025 – refresh growth, savings and capital including consideration by Cabinet Lead Members.
- Late October/early November 2025 - National Budget and National Living Wage announcements.
- Late November 2025 – receipt of the Provisional Local Government Finance Settlement for 2026/27 to 2028/29.
- 16 December 2025 – the Cabinet will be asked to approve the draft MTFS for consultation.
- January 2026 – public consultation on the draft MTFS, including the Overview and Scrutiny Committees and the Scrutiny Commission.
- Early February 2026 – the Cabinet will be asked to approve the final draft MTFS for submission to the County Council.
- 18 February 2026 – the County Council will be requested to approve the MTFS for 2026/27 to 2029/30.

Recommendation

172. The Scrutiny Commission is asked to note this report.

Circulation under the Local Issues Alert Procedure

173. None.

Equality Implications

174. There are no direct equality implications arising from this report.

Human Rights Implications

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

Background Papers

Report to the Cabinet on 17 June 2025– 2024/25 Provisional Revenue and Capital Outturn 2024/25
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7877&Ver=4

Report to County Council on 19 February 2025 – Medium Term Financial Strategy 2025/26 to 2028/29
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=7391&Ver=4

Appendices

Appendix A: Revenue Position as at Period 4, 2025/26
Appendix B: Revenue budget major variances
Appendix C: Revised Capital Programme 2025-29
Appendix D: Investing in Leicestershire Programme – 2025/26 Quarter 1 update
Appendix E: Savings Under Development

Officers to Contact

Declan Keegan, Director of Corporate Resources,
Corporate Resources Department,
☎0116 305 7668 E-mail Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director (Finance, Strategic Property and Commissioning),
Corporate Resources Department,
☎0116 305 7066 E-mail Simone.Hines@leics.gov.uk

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APPENDIX A

REVENUE BUDGET MONITORING STATEMENT 2025/26
(AS AT PERIOD 4)

	Updated Budget	Projected Outturn	Difference from Updated Budget	
	£000	£000	£000	%
Schools Budget				
Schools	72,467	72,467	0	0.0
Early Years	109,191	105,941	-3,250	-3.0
DSG Funding	-181,658	-181,658	0	0.0
	0	-3,250	-3,250	
Earmarked reserve - start of year			*-16,054*	
Earmarked reserve - end of year			*-19,304*	
High Needs	118,091	163,181	45,090	38.2
Dedicated Schools Grant (DSG)	-118,091	-118,091	0	0.0
	0	45,090	45,090	
Earmarked reserve - start of year			*64,403*	
Earmarked reserve - end of year			*109,493*	
LA Budget				
Children & Family Services (Other)	143,151	154,441	11,290	7.9
Adults & Communities	236,969	235,929	-1,040	-0.4
Public Health *	-2,746	-2,746	0	0.0
Environment & Transport	118,363	117,273	-1,090	-0.9
Chief Executives	16,859	16,549	-310	-1.8
Corporate Resources	39,338	39,568	230	0.6
DSG (Central Dept. recharges)	-2,285	-2,285	0	0.0
MTFS risks contingency	8,000	8,000	0	0.0
Contingency for Inflation/Living Wage	32,925	24,825	-8,100	-24.6
Total Services	590,574	591,554	980	0.2
Central Items				
Financing of capital	14,800	14,800	0	0.0
Bank & other interest	-12,000	-16,000	-4,000	33.3
Central expenditure	3,014	1,214	-1,800	-59.7
Total Central Items	5,814	14	-5,800	-99.8
Contribution to earmarked reserves	22,600	35,300	12,700	56.2
Contribution to General Fund	1,000	1,000	0	0.0
Contribution from budget equalisation reserve to balance 2025/26 revenue budget	-4,653	-4,653	0	0.0
Total Spending	615,335	623,215	7,880	1.3
Funding				
Revenue Support Grant (new burdens)	-1,229	-1,229	0	0.0
Business Rates - Top Up	-42,912	-42,912	0	0.0
Business Rates Baseline / retained	-31,818	-31,728	90	-0.3
S31 Grants - Business Rates	-17,713	-17,843	-130	0.7
Allocation of Business Rates Pool Levies	-8,000	-7,720	280	n/a
Council Tax Precept	-422,465	-422,465	0	0.0
Council Tax Collection Funds - net surplus	-1,493	-1,493	0	0.0
New Homes Bonus Grant	-1,041	-1,041	0	0.0
Improved Better Care Fund Grant etc.	-14,190	-14,190	0	0.0
Social Care Grant	-50,971	-50,971	0	0.0
ASC Market Sustainability & Improvement Fund	-10,562	-10,562	0	0.0
Children's Social Care Prevention Grant	-1,488	-1,488	0	0.0
Domestic Abuse Safe Accommodation Grant	-1,464	-1,464	0	0.0
National Insurance increase - compensation	-3,656	-3,656	0	0.0
Extended Producer Responsibility (EPR)	-6,333	-6,333	0	0.0
Total Funding	-615,335	-615,095	240	0.0
Net Total	0	8,120	8,120	

* Public Health funded by Grant (£29.9m)

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APPENDIX B

Revenue Budget 2025/26 – forecast main variances (Period 4)

Children and Family Services

Dedicated Schools Grant

A net overspend of £41.8m is forecast. The main variances are:

	£000	% of Budget
DSG High Needs Block (HNB) earmarked reserve drawdown	**15,255**	**n/a**
The DSG budget in the original MTFS includes an estimated HNB drawdown of £15.3m as the forecast in year overspend.		
Special Educational Needs	**29,065**	**23%**
This is largely due to increased volume/demand vs budgeted assumptions based and set on Autumn 2024 data/intelligence. Since that position, overall demand through the front door has continued to rise. Currently there are 8,176 Education Health Care Plans (EHCP's), a 25% increase on numbers vs 2024, with still a third of this calendar year to run. Whilst further analysis of both demand and costs are planned over the coming months as part of MTFS planning, which will include a greater understanding of the number of EHCP'S and children on a funded package, it is anticipated demand of funded packages will reach a weighted average over the financial year of 8,500 funded packages by March 26. (22% increase vs budgeted position post mitigations).		
Specialist Teaching Service (STS)	**770**	**32%**
The STS is a fully HNB funded service, with a fixed budget envelope, and does not receive inflation in response to pay awards. It also has a built-in annual savings target which is usually achieved through in-year vacancy savings. This year due to the significant, unfunded pay award, this target is forecast not to be met.		
Early Years / Nursery Education Funding	**-3,250**	**-3%**
This is due to Early Years entitlement typically funded for 38 weeks for the financial year, but due to how the calendar aligns in 2025/26 only 37 weeks fall within this financial year. The overall underspend position includes the budgeted planned underspend of £1.1m as part of the payback of previous years' Early Years deficits.		
TOTAL	**41,840**	**n/a**

Local Authority Budget

The Local authority budget is forecast to overspend by £11.3m (7.9%). The main variances are:

	£000	% of Budget
Children's Social Care Placements	**9,910**	**14%**
The projected overspend on the Children's Social Care Placement budget (£9.9m) is largely due to a small but financially significant change in demand / numbers in relation to children in residential provision, in comparison to budgeted assumptions. The MTFS for this financial year assumes budgeted residential numbers by March 2026 to be at 120 children (includes parent and child placements). Trend and demand analysis at the time of budget setting, and then subsequently until the end of qtr.4 of financial year 2024/25, showed demand remaining relatively stable. However, numbers to date during the financial year 2025/26 have risen sharply. As at mid- August 2025 numbers in residential provision stand at 129, and current projections for the financial year assume by the end of the financial year this number could rise to 133 (11% increase vs budgeted mitigated position in terms of overall volume) . Of this overall increase in numbers, a small but financially significant increase in the number of unregistered and activity placements can be seen from May 2025 which are often the most expensive due to complexity of need. As at mid-August 2025, the Council has 14 children in unregistered/ activity placements, the highest number it has ever had (180% increase vs budgeted assumed position for this provision type).		

Disabled Children Service	**1,100**	**29%**
Increased demand of support across both direct payments and commissioned services. The Children's Innovation Partnership with Barnardo's will see the creation and opening of an overnight short break unit by the end of 2025, to support children with a disability, and ensure such demands in this area can be managed in the most appropriate and cost effective manner.		
Educational Psychology Service and SENA Service	**1,100**	**25%**
Continued increased demand due to an increase in the number of EHCPs (Education Health Care Plans) and EHCNAs (Education Health Care Needs Assessments) has further impacted the overspend position within these service areas due to increased caseloads. The assessment of the medium to long term impact of current demand on this service is currently underway for the purpose of MTFS future planning.		
Departmental Financial Controls / Vacancy Control Management	**-820**	**n/a**
As a direct response to the financial pressures which are being seen in year across the different service areas, the departmental management team took and continue to lead on a review of non-statutory services supported by the introduction of corporate led financial controls. Together and with continued robust management and review of vacancies within the department the output of this work has delivered some net one-off in year efficiencies, and budget opportunities of £0.8m, which includes delaying recruitment to non-essential posts where appropriate, as well as maximising any grant funding to ensure such prescribed outcomes can be met in the most efficient, effective and compliant way possible. Further work is being undertaken to explore the feasibility of this work and its scope to deliver on-going future budget efficiencies.		
TOTAL	**11,290**	**n/a**

<u>Adults & Communities</u>

The Department has a net forecast underspend of £1.0m (0.4%). The main variances are:

	£000	**% of Budget**
Supported Living	**2,385**	**5%**
There are estimated to be between 30-35 new service users over the course of the year. Higher service user numbers were incurred after budget setting for 25/26. The budget is based on total of 530 service users over the course of the year and currently there are 534 service users at £1,780 per week.		
Residential and Nursing Care	**1,300**	**-1%**
There is a forecast overspend for residential care of £1.3m. Health income is forecast to be £300k below budget due to numbers of funded service users being lower than budgeted. Service user numbers peaked in October 2024 before decreasing back to levels similar to a year ago. However, in recent weeks the service user numbers have started to increase again. The overall average for the year is forecast to be 2,450 service users per week costing an average of £1,157 per week.		
Adult Learning	**655**	**n/a**
Forecast overspend due to reduction in grant funding announced in April 25 of £299k. HR action plans prepared to deliver savings that have been delayed, therefore expecting overspend in operational costs and £356k for exit costs from restructure. Potential additional income through NI rebate currently being investigated, not included in forecast.		
Access & Digital Services	**210**	**6%**
There is a £211k overspend in Adult Social Care Finance - £111k due to additional temporary staff employed to address the wait list in both the Benefits Team and Appointeeship & Deputyship Team and to reduce the held debt linked to the appointee and Deputyship team, plus £100k relating to a historical unachieved saving.		
Better Care Fund (Balance)	**-1,405**	**5%**
Better Care Fund income from minimum contribution to LCC is £1.8m above the budgeted amount. Discharge to Assess income of £2.4m of funds are expected against a budget of £2.8m.		
Home First	**-1,020**	**-10%**
The underspend is primarily from vacant Support Worker posts within the HART Service. Recruitment is ongoing as part of the Department's plan to increase the HART workforce to enable more cases to be retained by the service requiring fewer referrals to the Independent Homecare sector which should generate a saving to the department. Recruitment however remains difficult within the social care market.		

Supported Living, Residential and Short Breaks	**-840**	**-16%**
It is difficult to recruit staff in the current social care market across the Councils Short Break sites leading to vacancies. A recruitment campaign is ongoing to fill vacancies which will allow the Short Breaks sites to increase their capacity which is linked to an MTFS saving. A plan for continuous improvement is in place focused on driving up quality taking into consideration learning from CQC across all service areas.		
Non Residential Income	**-605**	**2%**
Additional Health income of £140k is expected from existing Supported Living service users, attracting health funding income over and above what was budgeted. In addition there is a further £290k of health income expected as a result of the growth that is expected within Supported Living to the end of the year. Non-Residential Client Income is expected to over-recover by an additional £175k overall.		
Homecare	**-550**	**-1%**
Service user numbers have fluctuated around levels observed since the beginning of the financial year. At the start of the year service user numbers were 2,705 and average hours commissioned were 10.8 hours per person. Currently there are 2,690 service users with the same average hours of 10.8. The winter period may increase service user numbers reducing any underspend.		
Cognitive and Physical Disability	**-520**	**-6%**
There is a £322k underspend on staffing primarily in Occupational Therapy Teams (£201k) which are difficult to recruit to posts and Harborough Care Pathway Team (£76k) and Blaby, Oadby and Wigston Care Pathway Team (£36k). Also £200k underspend on Integrated Community Equipment Service, as a result of LCC's contribution to the pool decreasing in 25/26.		
Learning Disability and Autism	**-145**	**-3%**
There is a underspend in NWL Care Pathway Team (£169k) due to vacancies and difficulties in recruiting staff. This is offset by £22k overspend in Hinckley Care Pathway Team where agency staff are required to cover sickness and vacancies.		
Community Life Choices	**-110**	**-1%**
A small underspend is forecast at this point from a slight decrease in the average amount of sessions commissioned per service user compared with the budget for the first 4 months of the year. This has helped to offset rising service user numbers. Currently there are 675 service users with an average cost of £281.		
Direct Cash Payments	**-50**	**0%**
Despite an increase in 50 service users over Period 1-4, average costs per service user have broadly remained flat for this period, leading to a small underspend of £50k. The clawback of unspent funds which is conducted as an ongoing process over the course of the year has been disrupted by issues with the Councils Direct Payment Card Provider. In the interim the Council is currently unable to access statements with reliable transaction histories or balances. Finance Operations are liaising closely with the provider and are hopeful that the issues will be resolved soon, but this could impact on the overall monies clawed back and the final position for the year.		
Other variances (under £100k)	**-345**	**n/a**
TOTAL	**-1,040**	**n/a**

Public Health

The Department has a projected balanced position, with no significant variances.

Environment and Transport

The Department is forecasting a net underspend of £1.1m (0.9%). The main variances are:

	£000	**% of Budget**
Social Care Transport	**850**	**13%**
Overspend due to additional taxi costs that are largely met by an underspend on Passenger Fleet.		
Reactive Maintenance	**415**	**12%**
Additional costs to meet policy from continued deterioration of highway assets (particularly non-illuminated signs & road markings) has led to an increase in reactive critical repairs to keep the network safe.		
Mainstream School Transport	**290**	**4%**
Overspend continues to reflect increased costs and reduced competition which have meant that contract prices have remained high and not been able to recover from the fuel crisis. In 2025/26 the overspend is significantly lower than reported in 2024/25 due to allocation of growth.		

Treatment & Contracts	**260**	**1%**
Overspend in Treatment due to continued trend of waste being diverted out of Landfill into Treatment, slightly offset by reduction in tonnage.		
Passenger Fleet	**-550**	**n/a**
Overall underspend on passenger fleet due to vacant driver and escort posts (£730k), partially offset by lower income forecasts (-£180k).		
Dry Recycling	**-450**	**-20%**
Underspend due mainly to higher income rates which are expected to continue. In addition small net underspend due to slightly lower tonnage forecast.		
Landfill	**-375**	**-17%**
Underspend in Landfill due to continued trend of waste being diverted out of Landfill into Treatment.		
Staffing, Admin & Depot Overheads	**-285**	**-66%**
Additional income from increased permitting activity under network management and sale of grass verges.		
Composting Contracts	**-285**	**-14%**
Underspend mainly due to reduced tonnage forecast of Composting as a result of recent dry weather, roughly 7,130 reduced tonnage at a rate of £32 per tonne. The remaining underspend is due to lower prices than budgeted.		
H&T Staffing & Admin (Development and Growth service)	**-265**	**-8%**
Underspend due to staffing vacancies and reduced agency expenditure which is partly offset by a shortfall in capital recharge income.		
Management & Admin	**-195**	**-7%**
Underspend due to vacancies and timing of recruitment across the team.		
Road Safety (Development and Growth service)	**-170**	**-24%**
Underspend mostly due to vacant posts savings in school crossing patrol (75% of variance) and road safety tutors thereafter (25% of variance).		
Development & Growth	**-100**	**-6%**
Underspend due to vacancies across teams.		
Other variances (under £100k)	**-230**	**n/a**
TOTAL	**-1,090**	**n/a**

<u>Chief Executive's</u>

The Department is forecasting a net underspend of £0.3m (1.9%). The main variances are:

	£000	% of Budget
Departmental Items	**150**	**n/a**
Department-wide saving for staffing vacancy held in this budget. Overspend here is offset by underspends elsewhere in the department.		
Legal Services	**80**	**2%**
Overspend largely due to vacant positions being filled with Locums (+£56k), plus a forecast overspend on childcare cases (+£17k).		
Registrars	**-170**	**n/a**
Underspend largely due to additional income (-£99k) and a reduction in staff costs by reducing the use of casual staff (-£70k).		
Growth Service	**-165**	**-15%**
Underspend due to current vacancies which are subject to ongoing recruitment activity.		
Democratic Services and Administration	**-115**	**-8%**
Underspend mainly due to staffing vacancies		
Management and Administration	**-60**	**-7%**
Underspend due to staffing vacancies.		
Other variances (under £50k)	**-30**	**n/a**
TOTAL	**-310**	**n/a**

Corporate Resources

The Department has a net forecast overspend of £0.2m (0.6%). The main variances are:

	£000	% of Budget
Commercial Services	**765**	**-160%**
Challenging commercial environment particularly related to school food. In addition, the impact of the temporary closure of Beaumanor Hall related to required chimney repair and maintenance works has impacted spend. Loss of car parking income due to delays to implementation of new systems and repairs has had an impact on Country Parks performance.		
Corporate Human Resources	**265**	**10%**
Staff overspends.		
Corporate Projects	**115**	**-25%**
Unachieved Customer Programme saving in 2025/26.		
ICT	**-435**	**-3%**
Underspend on staffing across multiple teams including early delivery of MTFS Savings offset by additional expenditure for external review of current software infrastructure (Social Care systems) and implementation of website firewall functionality to prevent cyber attacks.		
Building Running Costs	**-290**	**-6%**
Early delivery of MTFS Savings as well as reduced utility bills.		
Strategic Finance	**-105**	**-2%**
Underspend on staffing and vacant posts.		
Operational Property	**-75**	**-3%**
Early delivery of MTFS savings and vacancies across a number of service areas.		
Other variances	**-10**	**n/a**
TOTAL	**230**	**n/a**

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	66,122	**Provision of Additional School Places**	**35,515**	**20,687**	**5,714**	**4,207**	**66,122**
		SEND Programme					
Mar-29	35,106	Expansion of Special Schools	8,148	9,408	16,650	900	35,106
		Sub-total - SEND Programme	**8,148**	**9,408**	**16,650**	**900**	**35,106**
Mar-29	11,171	Strategic Capital Maintenance	5,171	2,000	2,000	2,000	11,171
Mar-29	1,981	Schools Devolved Formula Capital	481	500	500	500	1,981
Mar-29	1,573	Schools Access / Security	673	300	300	300	1,573
Mar-26	741	Children's SCIP	741	0	0	0	741
Mar-26	764	Childcare Expansion Programme	764	0	0	0	764
Mar-27	483	Music Hub Equipment	435	48	0	0	483
		Other Capital	**8,264**	**2,848**	**2,800**	**2,800**	**16,713**
		Overall Total	**51,927**	**32,943**	**25,164**	**7,907**	**117,941**
		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	22,072	Disabled Facilities Grant (DFG)	5,518	5,518	5,518	5,518	22,072
Mar-26	29	Bosworth Discovery Zone	29	0	0	0	29
Sep-26	26	Shepshed Library Refurbishment	26				26
			5,573	**5,518**	**5,518**	**5,518**	**22,127**
		Social Care Investment Plan (SCIP):					
Mar-29	3,758	SCIP - Additional Schemes	0	2,920	419	419	3,758
		Sub-Total SCIP	**0**	**2,920**	**419**	**419**	**3,758**
		Total A&C	**5,573**	**8,438**	**5,937**	**5,937**	**25,885**
		Future Developments - subject to further detail and approved business cases					
		Archives, Collections and Learning (ACL) Centre					
		Adult Accommodation Strategy (Social Care Investment Plan)					

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2025-29

APPENDIX C

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-26	127,160	Melton Distributor Road - North and East Sections	37,900	0	0	0	37,900
Apr-27	19,600	Zouch Bridge Replacement	10,054	3,675	76	0	13,805
Mar-26	12,390	A511/A50 Major Road Network - Full business case	3,281	0	0	0	3,281
Mar-29	12,102	Advance Design / Match Funding	6,229	3,666	1,091	1,116	12,102
Mar-26	2,510	Pan regional transport model (PRTM)	458	0	0	0	458
Mar-28	4,356	Market Harbough improvements	1,566	1,999	791	0	4,356
Mar-29	1,613	Leicestershire Cycling Walking Improvements Plan Delivery	100	854	467	192	1,613
Mar-27	1,880	The Parade Oadby Cyclops	840	1,000	0	0	1,840
Mar-26	223	Local Electric Vehicle Infrastructure (LEVI) pilot	178	0	0	0	178
Mar-29	3,151	Local Electric Vehicle Infrastructure (LEVI) Full Roll out	16	299	599	2,237	3,151
Mar-26	26,212	M1 Junction 23 / A512 Improvements	53	0	0	0	53
Mar-26	10,129	Anstey Lane A46	10	0	0	0	10
Dec-25		M1 J22 Major	6	0	0	0	6
			60,691	**11,493**	**3,023**	**3,545**	**78,752**
		Minor Schemes / Other					
Mar-28	2,928	Property Flood Risk Alleviation	1,400	1,488	40	0	2,928
Mar-29	2,413	Safety Schemes	1,418	538	207	250	2,413
Mar-26	3,146	Bus Grant	3,146	0	0	0	3,146
Mar-26	8,227	Zero Emission Buses	8,227	0	0	0	8,227
Mar-26	377	Active Travel Improvements	377	0	0	0	377
Mar-29	400	Plant renewals	100	100	100	100	400
Mar-27	9,870	Melton Depot Replacement	300	9,321	0	0	9,621
Mar-27	575	Highways Depot Improvements	175	400	0	0	575
Mar-29	17,656	County Council Vehicle Replacement Programme	4,800	4,540	3,436	4,880	17,656
Mar-28	2,394	Externally Funded Schemes	1,750	579	64	0	2,394
Mar-26	4,118	Hinckley Hub (Hawley Road) - NPIF	18	0	0	0	18
Mar-26	119	Cycleways - Z4584 - EATF	119	0	0	0	119
Mar-26	54	Fleet Services Workshop Oil Distribution System	54	0	0	0	54
			21,883	**16,966**	**3,847**	**5,230**	**47,926**
		Transport Asset Management					
Mar-29	13,066	Capital Schemes and Design	6,536	2,177	2,177	2,177	13,066
Mar-29	4,311	Bridges	1,528	928	928	927	4,311
Mar-29	2,249	Highways Flood alleviation	748	501	501	501	2,249
Mar-29	12,498	Street Lighting	3,086	3,137	3,137	3,138	12,498
Mar-29	2,001	Traffic Signal Renewal	1,158	281	281	281	2,001
Mar-29	22,669	Preventative Maintenance - (Surface Dressing)	10,588	4,027	4,027	4,027	22,669
Mar-29	50,849	Restorative (Patching)	9,485	13,788	13,788	13,788	50,849
Mar-29	410	Public rights of way maintenance	360	17	17	17	410
Mar-29	626	Network Performance & Reliability	154	157	157	157	626
Mar-29	45,388	Other Local Transport Grant funded works	1,173	12,581	14,847	16,787	45,388
			34,816	**37,593**	**39,859**	**41,799**	**154,068**
		Environment & Waste					
Mar-29	204	Ashby Canal	93	37	37	37	204
Mar-29	2,070	Recycling Household Waste Sites - General Improvements	731	511	418	410	2,070
Mar-27	658	Recycling Household Waste Sites - S.106 funded schemes	168	490	0	0	658
Mar-28	1,375	Food Waste Treatment Service Delivery	237	490	649	0	1,375
Mar-26	8,305	RHWS Majors - Waste Transfer Station	200	0	0	0	200
Mar-26	255	RHWS Waste Station - Weighbridge	255	0	0	0	255
Sep-25	146	Ashby Cabal - Badger Activity Mitigation	5	0	0	0	5
Sep-25	335	RHWS Majors - Ashby Canal Reed bed	10	0	0	0	10
			1,700	**1,528**	**1,104**	**447**	**4,778**
		Total E&T	**119,089**	**67,580**	**47,833**	**51,021**	**285,523**

	E&T	**Future Developments - subject to further detail and approved business cases** New Melton RHWS Additional bid development/match funding Compaction equipment Green vehicle fleet (update/ strategy needed) Highways Depot Maintenance A511 Major Road Network					

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	0	200	0		200
		Total Chief Executives	**0**	**200**	**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

APPENDIX C

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	0	700
Mar-28	240	Replacement of IT Service Management toolset and User Portal (Marval)	0	0	240	0	240
Mar-28	1,700	Hyper-Converged Infrastructure (HCI) Refresh/re-license	338	150	0	631	1,119
Mar-26	79	Solaris Hardware Refresh	14	0	0	0	14
Mar-28	100	Remote Access Refresh	0	0	76	0	76
Mar-28	1,949	Backup System Replacement	17	0	1,000	0	1,017
Mar-26	50	SRS Meeting Room Tech	50	0	0	0	50
Mar-29	150	Wireless Access points	0	0	0	49	49
Mar-27	70	Wireless Controllers	0	70	0	0	70
Mar-29	2,914	Workplace Strategy - EUD Refresh (PC, laptop)	550	734	770	860	2,914
							0
		Sub total ICT	**1,070**	**954**	**2,686**	**1,540**	**6,250**
		Property Services and Country Parks					
Mar-26	185	Anstey Frith House County Hall - Replacement windows & Roof Beams	185	0	0	0	185
Mar-26	200	Aston Firs - Living blocks refurbishments	200	0	0	0	200
Mar-26	33	Croft Depot - Roller shutter door replacement	33	0	0	0	33
Mar-26	50	Kegworth Library - Reroofing	50	0	0	0	50
Mar-26	225	Romulus Court - Refurbishment	225	0	0	0	225
Mar-26	110	Data Centre UPS replacement	110	0	0	0	110
Mar-26	85	Bassett Centre window replacement	85	0	0	0	85
Mar-26	100	Snibston Scheduled Ancient Monument	100	0	0	0	100
Mar-26	160	County Hall - MUGA resurfacing	160	0	0	0	160
Mar-26	63	Bosworth Battlefield ANPR	63	0	0	0	63
Mar-26	128	Tree Planting Programme	128	0	0	0	128
Mar-26	42	Tree Nursery	42	0	0	0	42
Mar-26	4	Watermead Pay station	4	0	0	0	4
Mar-26	1,631	Workplace Strategy - property costs, dilapidations and refurbishments	511	0	0	0	511
Mar-26	1,995	Workplace Strategy - Office Infrastructure	48	0	0	0	48
		Sub total Property Services	**1,944**	**0**	**0**	**0**	**1,944**
		Climate Change - Environmental Improvements					
Mar-27	603	Energy initiatives	300	100	0	0	400
Mar-26	375	Electric Vehicle Car Charge Points	231	0	0	0	231
Mar-26	62	Energy & Water Strategy - Invest to save	62	0	0	0	62
Mar-26	75	Snibston E V Chargers & Solar Car Port	75	0	0	0	75
		Sub total Energy	**668**	**100**	**0**	**0**	**768**
		Total Corporate Resources	**3,682**	**1,054**	**2,686**	**1,540**	**8,962**

	Future Developments - subject to further detail and approved business cases
	Major System Replacements, IAS, Mosaic, Capita One, STADS, PAMS, s106 system
	ICT Future Development - continual refresh of infrastructure
	Strategic Property Future Developments
	Snibston Ancient Monument - (SAM)
	Country Parks Future Developments, including cafes, play areas and car parking
	Green energy and insulation initiatives

CORPORATE - CAPITAL PROGRAMME 2025-29

APPENDIX C

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)					
Mar-27	16,436	Airfield Business Park - Phase 3-4	13,499	700	0	0	14,199
Mar-27	3,510	Lutterworth East - Drive Thru Restaurants	2,742	500	0	0	3,242
May-27	690	M69 Junction 2 - SDA	300	340	50	0	690
Mar-29	1,400	County Farms Estate - General Improvements	350	350	350	350	1,400
Mar-29	861	Industrial Properties Estate - General Improvements	161	275	275	150	861
Mar-26	250	Quorn Solar Farm	250	0	0	0	250
Mar-28	3,227	Lutterworth East - Planning and Pre-Highway construction Works	150	1,650	1,427	0	3,227
Mar-26	500	Lutterworth East - SDA (Planning and Preparatory works)	500	0	0	0	500
Mar-26	35	Lutterworth East - SDA	35	0	0	0	35
Mar-26	67	Embankment House - Land Development	67	0	0	0	67
Mar-26	694	Building 2, Lichfield South - Refurbishment	694	0	0	0	694
	36,000	New Investments - subject to Business Case	0	10,000	10,000	16,000	36,000
		Sub total IILP	**18,749**	**13,815**	**12,102**	**16,500**	**61,165**
		Future Developments					0
Mar-29	40,000	Future service projects - subject to business cases	0	5,000	15,000	20,000	40,000
Mar-29	31,000	Capital Programme Portfolio Risk	200	5,600	11,000	14,200	31,000
		Sub total Future Developments	**200**	**10,600**	**26,000**	**34,200**	**71,000**
		Total Corporate Programme	**18,949**	**24,415**	**38,102**	**50,700**	**132,165**

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

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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 Supported Living packages.	A
Improve efficiency of financial assessments process across teams which should lead to more timely invoicing and reduce debt.	A
Extracare - New Build Opportunities.	A
Older People's Accommodation.	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
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: Focus on decreasing reliance on hire vehicles and utilising service led data to build an evidenced base for reducing the fleet, support saving on vehicle hire, capital replacement and on-going maintenance budgets.	A
Service Efficiency Review - Forestry: review of delivery model for the inspection and management of highway forestry assets, with a view to assessing whether a more joined-up or efficient model could improve delivery and reduce duplication.	R
Network Management and Lane Rental: Network management services oversees the permitting of road works across the county. Work is currently underway to ensure that the service is fully efficient and once completed, the national lane rental scheme will be considered.	A
Lane Rental Scheme: The national lane rental scheme would allow the council to charge utility companies and others for occupying the road network during works. However, this can only be considered once the Network Management Improvement Project (NMIP) is completed, as NMIP is currently reviewing our internal roadworks permitting processes and whether we’re ready to adopt the scheme.	A
RHWS Income and Service Efficiency: This initiative brings together several ways to improve income and efficiency at RHWS sites, including better waste separation, limiting non-household waste, and exploring on-site sales. A re-use shop is being assessed to generate income, with a share returning to LCC. Work is focused on getting the most from the current contract and building evidence for next steps.	A
School Crossing Patrol: Explore whether funding for School Crossing Patrols (SCPs) could come from schools, Public Health, or other local partners.	A

Initiative title	RAG
Chief Executives	
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
Democratic Service and Civic and Member Support Section Review.	G
Legal Services in-house advocate role: Locum barrister recruited on fixed-term basis in the childcare advocate team.	G
Legal Services recruitment: Recruitment of paralegal instead of solicitor in adult social care team.	A
Expansion of Registration Services: Feasibility study to be undertaken into providing registrar services in areas of Leicestershire in addition to those provided from Council bases.	A
Corporate Resources	
Assess technology offer to further optimise value.	G
Technology Architecture and Data Review including consolidation of ICT systems to adopt a unified approach.	G
Targeted Automation: Digiting Caseworker Notes.	G
Beaumanor Hall - future options for operation of site.	A
IiLP - Income from investment decisions - further opportunities being explored.	A
Responsible payments - to strengthen the oversight and assurance of Direct payment's within the authority's adult social care direct payments service. The project will support improved financial stewardship and safeguard the integrity of the direct payments service.	A
Strategic and Operational Property service and structure reviews.	G
Assess opportunity to reduce spend on water contracts across the estates.	A
Management of teams – ensuring LCC has the correct management approaches in place across the authority – focusing in on teams with factors such as high turnover, high agency, high absence with targeted intervention.	A
Cross cutting	
Prevention Review - 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.	A
Third Party Spend Review (TPSR) - 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.	G

Green
Amber
Red

APPENDIX E

Investing in Leicestershire Programme – 2025/26 Q1 Update

Asset Class	Opening Capital Value [1]	Capital Incurred (returned) 2025/26	Change in valuation	Q1 25/26/25 Capital valuation [2]	Net income YTD	Budget Net Income FY	Forecast Net Income FY	Variance to Budget	In year forecast net income return % [3]	Since Inception IRR [4]
	£000	£000	£000	£000	£000	£000		£000	%	%
Direct Commercial Holdings										
Development	42,133	2,005	-2,005	42,133	-106	-178	-178	0	-0.4%	
Rural	95,888	0	0	95,888	5	201	201	0	0.2%	
Offices inc County Hall [5]	63,073	248	-248	63,073	1,205	4,126	4,056	-70	6.4%	
Industrial	26,002	0	0	26,002	664	1,765	1,765	0	6.8%	
Other	4,727	0	0	4,727	108	245	245	0	5.2%	
Direct Holdings	**231,823**	**2,253**	**-2,253**	**231,823**	**1,876**	**6,159**	**6,089**	**-70**	2.6%	
Diversifier Holdings										
Pooled Property	16,091	-188	-99	15,804	163	422	422	0	2.6%	2.0%
Private Debt MAC 4 2017	2,269	-1,209	1,274	2,334	71					6.2%
Private Debt MAC 6 2021	13,281	-131	89	13,239	1,737					6.6%
Private Debt MAC 7 2023	7,479	714	147	8,340	0					9.2%
Private Debt sub-total	**23,029**	**-627**	**1,509**	**23,912**	**116**	**816**	**816**	**0**	**3.5%**	6.5%
Pooled Infra Fund	8,742	0	-95	8,648	117	293	293	0	3.4%	3.6%
Pooled Bank Risk Share	12,651	-395	29	12,285	266	895	965	70	7.7%	13.9%
Additional sinking fund					**0**			**0**		
TOTAL (All IiLP)	**292,335**	**1,043**	**-908**	**292,471**	**2,539**	**8,585**	**8,585**	**0**	**2.9%**	
TOTAL exc development and rural	**154,314**	**-962**	**1,098**	**154,450**	**2,640**	**8,562**	**8,562**	**0**	**5.5%**	

1. Opening valuations based on market valuations not historic cost
2. Direct property is valued annually at year end, Q1 25/26 end information used for the diversifiers
3. Forecast net income return % is based on the opening capital value and in year net capital and valuation change
4. IRRs for diversifier investments, private debt and pooled property are the combination of all underlying investments in the relevant asset class.
5. Rented areas only for County Hall.

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