



Meeting: **Cabinet**

Date/Time: **Tuesday, 16 December 2025 at 2.00 pm**

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

Contact: **Ms. J. Bailey (Tel. 0116 305 2583)**

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Membership

Mr. D. Harrison CC (Chairman)

Mr. C. Abbott CC	Mr. V. Richichi CC
Mr. K. Crook CC	Mr. M. Squires CC
Mr. H. Fowler CC	Mr. A. Tilbury CC
Mr. C. Pugsley CC	

SUPPLEMENTARY REPORT

<u>Item</u>	<u>Report by</u>	
5. Provisional Medium Term Financial Strategy 2026/27 to 2029/30.	Director of Corporate Resources	(Pages 3 - 60)

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CABINET – 16 DECEMBER 2025

PROVISIONAL MEDIUM TERM FINANCIAL STRATEGY
2026/27 - 2029/30

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to set out the proposed Medium Term Financial Strategy (MTFS) for 2026/27 to 2029/30, for consultation and scrutiny.

Recommendations

2. It is recommended that:
 - (a) The proposed Medium Term Financial Strategy (MTFS), including the 2026/27 draft revenue budget and capital programme, be approved for consultation and referred to the Overview and Scrutiny Committees and the Scrutiny Commission for consideration;
 - (b) The Director of Corporate Resources, following consultation with the Cabinet Lead Member for Resources, be authorised to -
 - i.) agree a response to the provisional Local Government Finance Settlement;
 - ii.) decide on the appropriate course of action with regard to the Leicester and Leicestershire Business Rates Pool in 2026/27 and, subject to agreement by all member authorities, to implement this;
 - (c) Each Chief Officer, in consultation with the Director of Corporate Resources and following consultation with the relevant Lead Member(s), undertake preparatory work as considered appropriate to develop the savings set out in the draft MTFS and to identify additional savings in light of the financial gap in all four years of the MTFS, to enable the Cabinet and Council to consider further those savings to be taken forward as part of the MTFS and implemented in a timely manner;
 - (d) A further report be submitted to the Cabinet on 3 February 2026.

Reasons for Recommendations

3. To enable the County Council to meet its statutory requirements with respect to setting a balanced budget and Council Tax precept for 2026/27 and to provide a basis for the planning of services over the next four years.
4. To ensure that the County Council's views on the provisional Local Government Finance Settlement are made known to the Government.
5. To enable the County Council (alongside the pooling partners) to respond to the Ministry of Housing, Communities and Local Government (MHCLG) in respect of the Business Rates Pool within 28 days from the draft Local Government Finance Settlement.
6. To enable early work to be undertaken on the development of new savings to address the worsening financial position.
7. To consider feedback from consultation on the draft MTFS and the views of the Overview and Scrutiny bodies and the final recommendations to be made to the County Council.

Timetable for Decisions (including Scrutiny)

8. The external consultation on the MTFS will take place from 17 December 2025 until 18 January 2026. The MTFS will be considered by the County Council's Overview and Scrutiny bodies between 14 and 28 January 2026 as follows -
 - Health - 14 January
 - Adults and Communities – 19 January
 - Children and Families – 20 January
 - Highways, Transport and Waste - 22 January
 - Environment, Flooding and Climate Change - 26 January
 - Scrutiny Commission - 28 January
9. The Cabinet will then consider the comments of the Overview and Scrutiny bodies and responses from the wider consultation process at its meeting on 3 February 2026. The County Council meets on 18 February 2026 to consider the final MTFS.

Policy Framework and Previous Decisions

10. The MTFS is a rolling financial plan that is updated annually. The current MTFS was approved by the County Council on 19 February 2025.
11. The County Council's Strategic Plan (agreed by the Council on 18 May 2022) summarises the Council's vision for Leicestershire through five strategic outcomes and a single line vision statement. The outcomes represent long-term aspirations for Leicestershire which may not be achieved in full during the four-year course of the Strategic Plan. Therefore, the Plan also includes specific aims for the Council to achieve by 2026 in order to progress towards each outcome. It

also sets out some of the key actions which the Council will deliver to achieve these aims. The five outcomes are:

- Clean, green future
 - Great communities
 - Improving opportunities
 - Strong economy, transport and infrastructure
 - Keeping people safe and well
12. The MTFS, along with other plans and strategies such as the Transformation Programme, the Capital Strategy, the Treasury Management Strategy, the Corporate Asset Management Plan and the Risk Management Strategy, aligns with these aims and underpins the Strategic Plan's delivery.
 13. The Cabinet at its meeting on 12 September 2025 noted the significant financial challenges faced by the Council and inter alia agreed the approach to updating the MTFS.
 14. The Cabinet at its meeting on 28 October 2025 approved the appointment of Newton Impact to provide external support to undertake an unconstrained Efficiency Review of the Council's activities.

Legal Implications

15. The Director of Law and Governance has been consulted on this report.
16. The Council's Constitution provides that the budget setting is a function of the County Council which is required to consider the budget calculation in accordance with the provisions set out in Local Government Finance Act 1992. This requires that there be a calculation of the total of the expenditure the Council estimates it will incur in performing its functions and will charge to the revenue account for the year, such allowance as the Council estimates will be appropriate for contingencies and the financial reserves which the Council estimates will be appropriate for meeting future expenditure.
17. The Council is required to set a balanced budget each year following the processes set out in the Local Government Finance Act 1992. The Director of Corporate Resources, as the Council's Section 151 Officer, has a number of duties relating to the Council's financial administration and resilience, including to report on the robustness of the Council's budget estimates and the adequacy of its reserves. There is a further duty to issue a formal report if the Section 151 Officer believes that the Council is unlikely to set or maintain a balanced budget. In addition, there is a requirement set out in the Local Government Act 2003 and relevant regulations¹ for the Council, when carrying out its duties, to have regard to the Prudential Code for Capital Finance in Local Authorities.
18. The Council is further charged with a duty to secure best value by making "arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency

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

and effectiveness". This duty is supplemented by statutory guidance to which the Council must have regard.

19. The function of the County Council in setting its budget in due course will engage the public sector equality duty which is set out in the Equality Impact Assessment (EIA) section below. An overarching and cumulative impact assessment will be available for the County Council when it considers the budget; it is important to note that the duty does not arise at a fixed point in time but is live and enduring and decision makers are required to have 'due regard' to the duty at each stage in the process although it is recognised that it is at the point in time when plans are developed to reconfigure or reduce services that the assessment is key.
20. The County Council, as a major precepting authority, is required to consult representatives of business rate payers and details of the budget consultation are set out below. There is no statutory requirement to undertake a public consultation on the MTFS but it is important to bear in mind that decisions which flow from the MTFS in relation to a change of provision or service will require adequate and proper lawful consultation before any decision is made as well as an equalities assessment to comply with the Public Sector Equality duty as referred to above. The preparatory work to be undertaken by Chief Officers as set out in the recommendations is key to contributing to lawful decision-making.
21. There is a requirement for the precept to be approved by the Council and notified to the billing authorities by no later than 1 March 2026.

Resource Implications

22. The MTFS is the key financial plan for the County Council. The County Council's financial position has been challenging for a number of years due to over a decade of austerity combined with significant growth in spending pressures, particularly from social care and special educational needs. This was exacerbated by the impact of the Covid-19 pandemic and significant increases in inflation, to levels not seen for many decades. Spending pressures from children's social care and special educational needs have increased even more significantly in 2025/26 and are projected to remain at high levels over the period of the new MTFS, leading to the most challenging budget position the Council has faced.
23. This uncertainty has been exacerbated with Fair Funding Reform and the Spending Review 2025. Whilst the Council has lobbied for funding reform for many years, the way in which proposals have been consulted on and communicated, including late changes announced at the end of November, have made financial planning almost impossible.
24. The Government set out principles for funding reform. Key elements of the principles are that funding allocations would be made based upon the best possible analysis and reflect factors which drive demand. Following the consultation changes were made to divert funding to urban councils at the expense of rural ones, despite the updated funding needs assessment showing that county areas have seen the biggest increase in needs. This has led the County Councils Network to conclude

“This seriously undermines the principles of the review, with this arbitrary measure not consulted on. This raises questions whether this review has been evidence-led and transparent.”

25. Another controversial element of the reforms is the 100% Council Tax equalisations approach. The result is that when allocating funding Government assumes that councils increase Council Tax by 5% each year regardless of the local position.
26. The Local Government Finance Policy Statement (the Policy Statement) was released on 20 November 2025 but the Council will need to wait for the Local Government Finance Settlement later in December before the impact on the MTFS can be accurately assessed. The Chancellor’s Budget announced on 26 November 2025 set out national spending totals for 2025/26 and a direction of travel in terms of future government policy, but provided little detailed information or certainty for the Council’s MTFS. A summary of the announcements from the Policy Statement and the Chancellor’s Budget is given in part B of the report below.
27. The current MTFS was the second year that the following year’s budget had to be balanced by the use of earmarked reserves: £6m in 2024/25 followed by £5m in 2025/26. The current MTFS had a gap of £38m in year two rising to £91m in year four.
28. The position in 2025/26 has worsened and as at September (Period 6) it is forecast that the £5m use of reserves will still be required, and an additional net overspend of £3m is projected, which can be met from the MTFS risks contingency if no other mitigations are identified as the year progresses. There is a significant overspend on Children’s Services (£12m) and the High Needs Block deficit has increased by over 200% from £15m to £46m for the year. These are partly offset by underspends in other departments and on the inflation contingency and other central items. Although the projected 2025/26 net overspend can be contained, the medium to longer term financial position of the Council still remains extremely difficult.
29. There are also a number of challenges in the Capital Programme, with a funding shortfall of £7m to provide additional school places, arising from a reduction in Department for Education (DfE) basic need grant, section 106 shortfalls and increased construction costs. By using the capital programme portfolio risk allocation and the capital financing reserve it has been possible to fund the increase without adding to the existing £84m capital shortfall that is needed between 2027/28 and 2029/30 to fund the existing capital programme.
30. This revised MTFS for 2026-30 projects a gap of £23m in the first year that (subject to changes from later information such as the Local Government Finance Settlement) will need to be balanced by the use of earmarked reserves. There is then a gap of £49m in year two rising to £106m in year four, based on a 2.99% Council Tax increase, although no decision has yet been made on the level of increase to be approved. To have a realistic chance of closing the gap the County Council will need to quickly identify additional savings or source

additional income that allow 2027/28 to be balanced without the use of reserves, which the Efficiency Review will support.

31. Alongside the £106m gap on the revenue budget, the Council is also forecasting a cumulative deficit on the High Needs grant in excess of £400m by 2029/30. The announcement in the Chancellor's budget that responsibility for funding SEND would transfer to government from 2028/29 is welcome, but there has been no information on how the historic deficit will be funded. For that reason, the MTFS assumes a continuation of the strategy to contribute 50% of the deficit to the Budget Equalisation reserve until further information becomes available.
32. To ensure that the MTFS is a credible financial plan, unavoidable cost pressures have been included as growth. By 2029/30 this represents an investment of £131m, primarily to meet the forecast increase in demand for social care. The MTFS also includes a net £63m provision for pay and price inflation in 2026/27 and later years. The majority of these pressures are unavoidable due to the nationally set National Living Wage, which has a significant influence on social care contracts, pay awards and increases to running costs driven by the levels of inflation.
33. Balancing the budget is an ongoing and increasingly difficult challenge. With continual growth in service demand recent MTFS's have tended to show two - years of balanced budgets followed by two years of growing deficits. This approach balances the need for sufficient time to identify initiatives that will close the gap without cutting back services excessively. However, the previous two MTFS's have required the use of £6m and £5m to balance the first year respectively, and the draft 2026-30 MTFS only forecasts a balanced budget next year after assuming the use of £23m of earmarked reserves to meet the currently projected gap, with the following three years all being increasingly in deficit.
34. The £49m gap in the second year is of significant concern and reduction needs to be a focus. It will be a priority for reserves to be set aside to fully cover this gap to ensure that the County Council has sufficient time to formulate and deliver savings and suppress service growth. A heightened focus on the County Council's finances continues to be required whilst this situation remains.
35. The external Efficiency Review, commissioned in October, is making good progress and the expectation is that further savings opportunities will be identified ahead of the final budget proposals in February. Any initiatives with sufficient assurance over delivery and timescales will be included in the MTFS at that point. Clearly the challenge for 2026/27 is significant, and it is likely that, even with the Efficiency Review findings, some level of reserves will be needed to balance the budget for 2026/27, with the focus being on long term sustainability.
36. The MTFS gap and the uncertainty over government funding makes the decision on Council Tax even more crucial. The referendum limit will be set at 4.99% for 2026/27 (2.99% core and 2% Adult Social Care) which would raise approximately £21.5m in additional income, and ensure the taxbase is maximised for future years. The draft budget currently includes a 2.99% increase, per the currently approved MTFS, for illustrative purposes. The report

sets out the consequences of different Council Tax increases, both for the Council and its residents.

37. The Council Tax section of the report sets out the considerations when deciding upon the annual increase. From a good financial management viewpoint, the use of reserves to balance the budget is not a sustainable position. If expenditure is forecast to exceed income over the course of the MTFS it is likely that an annual increase will be recommended to close as much of the gap as is possible. A key driver of this approach is due to the referendum principles imposed by Government. If a council does not raise sufficient tax the referendum limit prevents a catch-up in future years, resulting in the only option being additional savings. However, if it raises too much this can be reversed the next year.
38. The draft four-year capital programme totals £456m. This includes investment for services, road and school infrastructure arising from housing growth in Leicestershire, social care accommodation and essential ICT and Property capital schemes. Capital funding available totals £372m, with the balance of £84m being temporarily funded from the County Council's internal cash balances, with external borrowing potentially being required in future years.
39. To deal with the challenges that the County Council has faced in recent years, as the lowest funded County Council, a proactive approach has been required. Given the heightened uncertainty the more important it is that the County Council keeps this focus.

Circulation under the Local Issues Alert Procedure

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

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PART B

2025 Autumn Budget and Policy Statement

41. On 20 November 2025 the Government issued a Policy Statement on the Local Government Finance Settlement for 2026/27 to 2028/29. The paper announced:
 - The Settlement will be the first multi-year settlement in a decade covering 2026-27, 2027-28 and 2028-29.
 - Significant emphasis on deprivation targeted funding – national £600m Recovery Grant remains in place (was to be temporary in 2025/26 only ahead of funding reforms) throughout the multi-year Settlement period targeting funding at low taxbase /high deprivation authorities, despite it not being included in the consultation on Fair Funding. The Council does not receive any Recovery Grant, but may lose funding as this is top sliced first and potentially could mean a loss of funding in the region of £5m for 2026/27 and ongoing.
 - Total distributable quantum remains unknown – hindering modelling of indicative figures.
 - Remoteness removed from the area cost adjustment except for Adult Social Care.
 - Transitional arrangements vary according to whether Authorities are above or below median for the class, but will last just three years.
 - Home to School distance cap raised to 50 miles, from 20 miles.
 - Core council tax referendum threshold at 3% and the adult social care precept referendum threshold at 2% for all authorities responsible for adult social care services during the multi-year Settlement.
 - Use of population projections in the formulae.

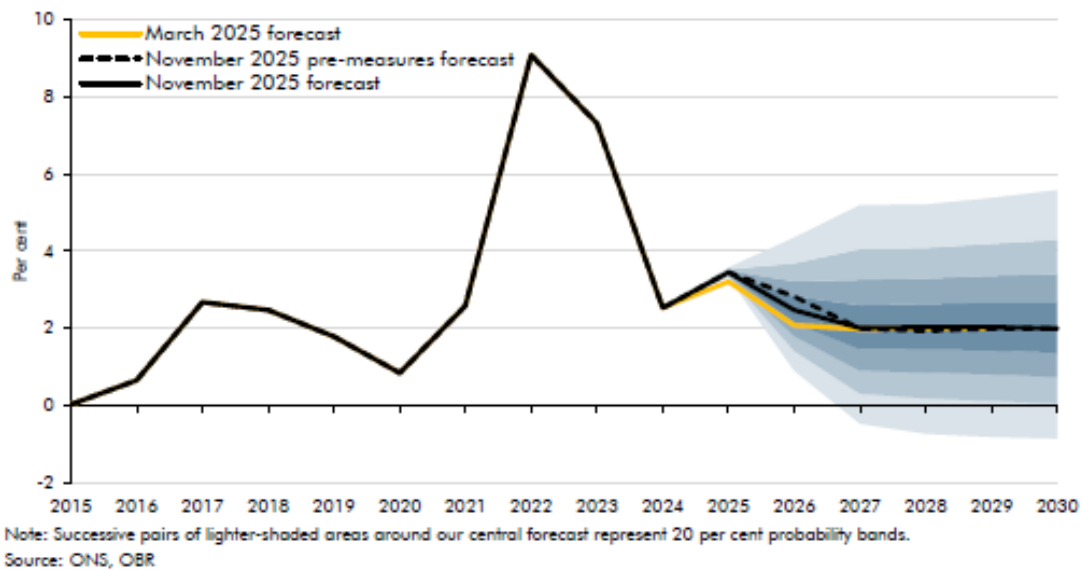
42. On 26 November 2025 the Chancellor of the Exchequer delivered the 2025 Budget. The main headlines from the day (for Local Authorities) include:
 - Partial solution to special educational needs and disabilities (SEND) deficits – spending on SEND from 2028/29 to be absorbed by government from central budgets. No details on how it will address existing deficits other than to state that its policy position is to work with local authorities to manage their SEND deficits and that it will set out more detail at the provisional Local Government Finance Settlement in December.
 - Tax rises worth £26bn, £15bn in personal tax.
 - Income Tax, National Insurance, and Employer NIC thresholds frozen for 3 years from 2028-29.
 - New Business Rate Multipliers following revaluation and transitional relief.
 - “High Value Council Tax Surcharge” introduced on properties valued above £2m from April 2028 (to be administered by billing authorities with proceeds to be used for local government services – no details have been provided but it is likely that Council Tax will be re-allocated to different areas for the first time.)

43. The Budget was accompanied by an announcement the preceding day that the National Living Wage (NLW) from April 2026 will increase from the current level of £12.21 an hour to £12.71, an increase of 4.1% which will have a significant impact on the costs of Social Care services (circa £10m p.a.) and will also be a significant factor in the setting of local government pay levels for 2026/27 onwards.
44. The level of information released by Government is not sufficient to confidently estimate the funding for next year and elements of ministerial discretion remain. The Council could see a significant change to its funding when the Settlement is released. This is perhaps the most uncertainty that local government has had at this late stage in the budget process for many years.
45. The Council will need to wait for the Local Government Finance Settlement later in December before the impact on the MTFs can be accurately assessed.
46. For Councils concerned about their ability to set or maintain a balanced budget the government will consider representations for exceptional financial support, which is primarily permission to borrow to fund revenue costs and consideration of requests for “bespoke referendum principles” to raise council tax above the main referendum limits.

National Context

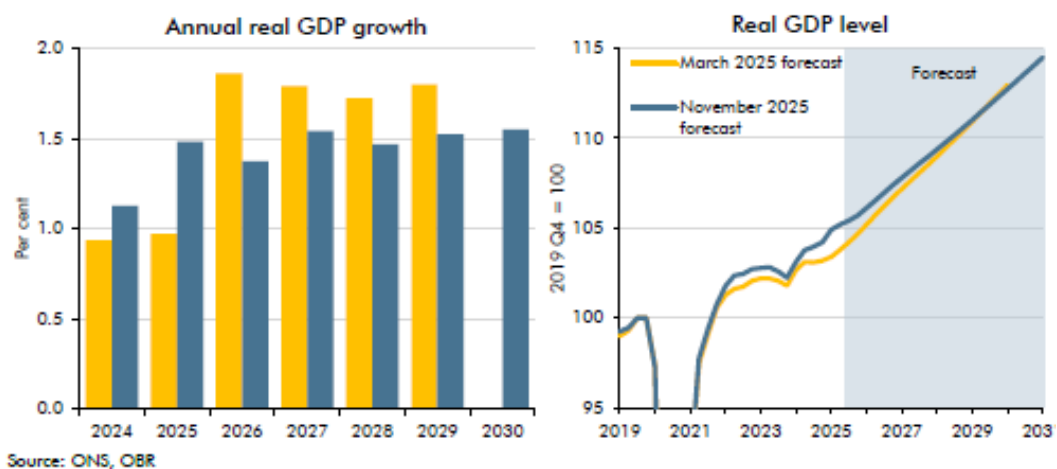
47. Following the Chancellor’s recent Budget announcement, it is clear that the Government does not have much room for manoeuvre. And so the challenges local government has faced due to over a decade of austerity, combined with significant growth in spending pressures, particularly from rising demand and cost within social care and special education needs services, exacerbated by external factors such as relatively high levels of inflation are expected to continue and, in all likelihood worsen.
48. The Office for Budget Responsibility’s (OBR’s) latest November 2025 forecast shows that CPI inflation (see Graph 1), having risen from 2.5% in 2024 to 3.5% in 2025 is expected to fall to about 2.5% during 2026 and then fall to 2.0% in 2027 and then remain around that level until 2030. However, as the OBR’s graph illustrates there is a wide range of possible alternative scenarios. A 0.5% increase in the CPI forecast would increase the Councils costs by around £3m.

Graph 1 – Inflation



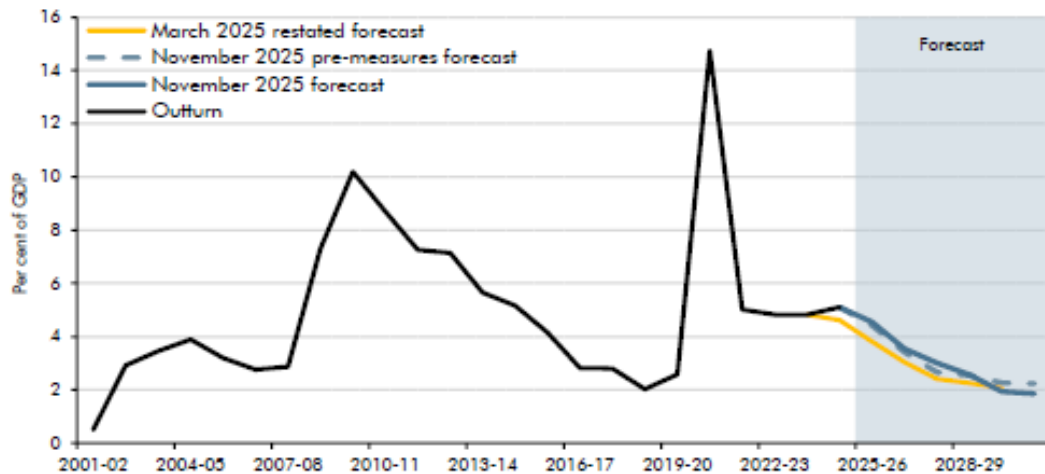
49. Gross Domestic Product (GDP) is expected to increase from 1.1% last year to 1.5% this year and to remain at around 1.5% thereafter. (Graph 2). GDP is an indicator of the health of the economy. The MTFS assumes a similar annual 1.5% increase in the Council Tax base.

Graph 2 – GDP forecast



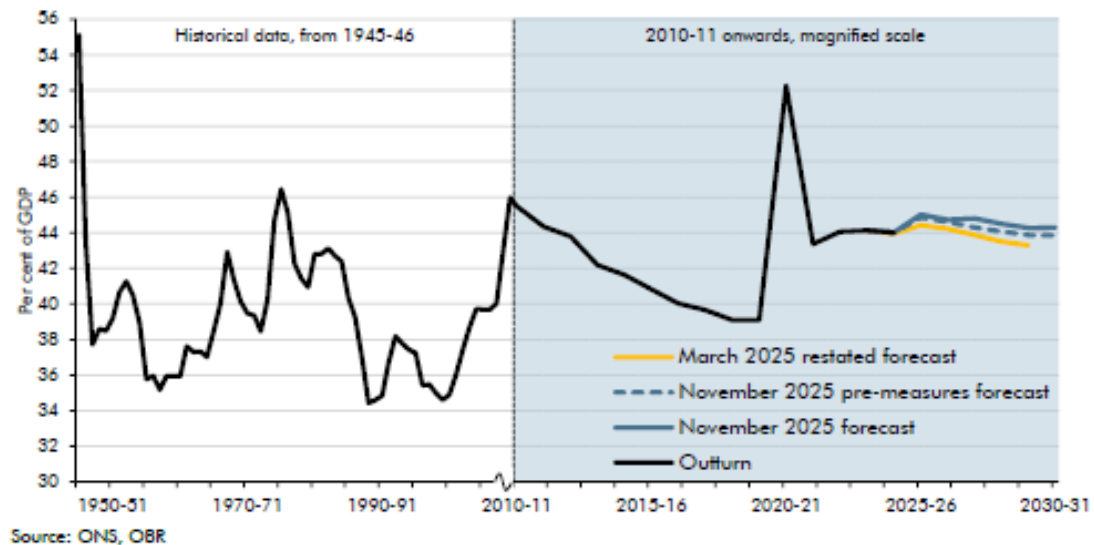
50. Public sector net borrowing, shown in Graph 3, is forecast to fall from £138.5bn in 2025/26 (4.5% of GDP) to £112.1bn in 2026/27. It is then forecast to fall by around 0.5% of GDP a year to £67.2bn (1.9% of GDP) by 2030/31.

Graph 3 Public Sector Net Borrowing



51. Graph 4 shows that public spending as a share of GDP fell to 44.0% of GDP in 2024/25 and is forecast to rise to 45.0% in 2025-26 and then to fall gradually to 44.3% of GDP in 2030/31.

Graph 4 Public Spend as a % of GDP



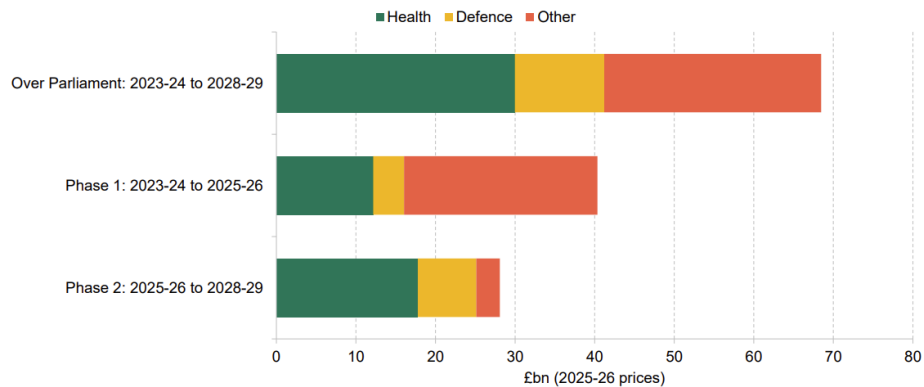
52. Graph 5 below is an analysis by the Institute of Fiscal studies that shows the overall funding position by government department between 2023/24 and (estimated) 2028/29, by phase. Local Government is included within the 'other' section of the chart. This shows the change in 'other' departments funding is growing at a significantly lower rate than in phase 1 (2023/24 to 2025/26). The majority of additional government funding is going into Health and Defence in phase 2 (2026/27 to 2028/29).

Graph 5 – Change in total Government Departmental spending 2023/24 to 2028/29 (by phase)

NHS and defence taking the lion's share



£ billion change in total departmental spending excluding devolved governments, by phase (2025-26 prices)



Local Government Finance Settlement

53. The 2026/27 provisional Local Government Finance Settlement is due to be released later in December 2025 (it has been indicated that this will be the week commencing 15 December but with no date confirmed at the time of writing the report). Local Government legislation will require there is a period of consultation on the Settlement, usually around four weeks, prior to a debate on the Settlement in the House of Commons.
54. The draft budget report has made assumptions around the level of government funding expected from 2026/27, but this is still extremely uncertain. The Policy Statement announced some late changes to the Fair Funding proposals (initially announced in July), but it is unclear exactly how the changes will affect the Council. For this reason, the draft budget is subject to change, potentially significantly, once the Settlement is released. This is the most uncertainty local government finance has faced for many years.
55. The 2026/27 Settlement will be a multi-year settlement, the first since 2016 and will provide details for the three-year period of 2026/27, 2027/28 and 2028/29.
56. The MTFS is based on the following assumptions:
 - The County Council will gain around £6m additional grant funding by 2029/30 as a result of the Fair Funding and Spending Reviews. This is based on modelling of the impact of the Policy Statement but is very uncertain. The gains are phased over three years in order pay for the funding floor for those authorities that will lose funding. Authorities will not reach their target level of funding until 2028/29.
 - A full Business Rates reset and certain grants rolled into the Settlement funding amount as part of the funding simplification principles. The reset will

remove pooling gains that are contributing £8m in 2025/26. These gains have reduced the requirement to borrow for capital schemes.

- An illustrative Council Tax position of a Core Council Tax increase of 1.99% in 2026/27 and 1% for the Adult Social Care precept, giving a total increase of 2.99%. No decision has yet been made on Council Tax and so this is subject to change.
- In the absence of government guidance for 2027/28 and later years a total (core council tax plus ASC precept) of 2.99% is assumed.
- The statutory override for the Dedicated Schools Grant (DSG) High Needs Block continues until 31 March 2028.

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

58. Funding for services received through specific grants is not covered by the Settlement, for example: High Needs funding (Dedicated Schools Grant), the Better Care Fund, Public Health Grant and all capital grants. Some amounts for 2026/27 may not be confirmed in the current financial year and the ongoing implications are subject to significant uncertainty.

Spending Power

59. The Government uses a measure of core spending power in assessing an authority's financial position. The County Council's historic annual core spending power from the 2025/26 Settlement is shown below. The key thing to note is that over this period Revenue Support Grant (RSG) had disappeared completely by 2019/20 compared to a figure of £56m in 2015/16; in 2013/14 RSG was £81m.

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

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

	15/16 ¹ £m		20/21 £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m	25/26 £m
Settlement Funding Assessment: RSG ²	56.2		0.0	0.0	0.0	0.0	0.0	1.2
Settlement Funding: Business Rates	60.5		64.4	65.1	68.2	75.2	80.0	81.3
Council Tax	233.4		319.3	336.9	351.6	374.2	397.9	422.5
Local Authority BCF ³	0.0		17.2	17.2	17.7	17.7	17.7	21.8
New Homes Bonus	3.3		3.7	2.6	2.1	1.2	1.0	1.0
Social Care Grant	0.0		13.0	14.2	19.9	33.2	43.7	51.0
Market Sustainability	0.0		0.0	0.0	1.6	5.7	10.6	10.6
ASC Discharge Fund ³	0.0		0.0	0.0	0.0	2.5	4.1	0.0
Services Grant	0.0		0.0	0.0	4.3	2.5	0.4	0.0
Domestic Abuse Grant ⁴	0.0		0.0	1.1	1.1	1.2	1.2	1.5
CSC Prevention Grant	0.0		0.0	0.0	0.0	0.0	0.0	1.5
National Insurance Grant	0.0		0.0	0.0	0.0	0.0	0.0	3.6
Grants rolled in ⁵	1.4		1.8	2.0	2.1	4.6	1.1	0.0
Core Spending Power	354.8		419.5	439.1	468.6	517.9	557.7	596.0

¹ 2015/16 has been the base comparator year used by central government to compare changes.

² RSG 2025/26 includes Extended Rights to Free Travel grant, previously a specific grant allocated to the Environment & Transport budget.

³ Improved Better Care Fund and ASC Discharge Grants merged into Local Authority BCF grant from 2025/26.

⁴ Domestic Abuse Safe Accommodation Grant has been rolled into CSP in 2025/26. The funding in earlier years has been included to maintain the integrity of CSP comparisons between years. The grant has previously been allocated to the Children and Family Services budget.

⁵ Grants which have been consolidated into the Settlement, included in relevant earlier years to maintain the integrity of comparisons between years.

61. The table shows that 'core spending power' increased in cash terms by £241m (68%) from 2015/16 to 2025/26. However, most of that increase relates to Council Tax which has increased by £189m (an 81% increase), while Business Rates show a £21m (34%) increase and Government grants have increased by £31m (50%). With inflation historically running at circa 3% each year, and rising to averages of 10% in 2022/23 and 6% in 2023/24, the overall 68% increase represents a relatively small real terms increase but provides little allowance for increasing populations, the above inflation increases to the National Living Wage, the increase in employer's National Insurance from April 2025 and the significant increasing service demands local authorities are facing especially around social care services. This is particularly difficult for Leicestershire which continues to be an area of one of the fastest growing populations nationally (1.6% between 2022 and 2023 compared with a national average of 1.0%).
62. Moreover, the Core Spending Power (CSP) measure assumes councils increase Council Tax by the maximum amount permitted, including raising the full adult social care precept. Whilst the County Council has always done this since the adult social care precept was introduced, it is mindful that in doing so it has raised council tax above inflation in some years.
63. Given the complexity of the Government's proposed plans to reform the local government finance system generally from 2026/27, there are significant risks due to the uncertainty of future funding levels.

Business Rates

64. The two main components of the business rates retention scheme income received by the County Council are the "baseline" and "top up" amounts. The baseline is the County Council's share (9%) of business rates generated locally and the top-up is allocated to the County Council to compensate for the small baseline allocation.
65. When Government makes changes to the national Business Rate Scheme compensation for funding losses are made through a series of grants, referred to as section 31 grants.
66. The proposed MTFS includes Business Rates as part of a set of forecasts representing Settlement Funding as an overall annual estimate. The Provisional Settlement should include details that will enable the various elements, including Business Rates, to be set out in detail in the revised MTFS to be presented to the Cabinet in February 2026.

67. The Government is in the process of undertaking a full Business Rates reset to take effect in 2026/27. The reset will result in councils losing their direct share of accumulated growth. For the County Council this is projected to amount to around £10m per annum, and the income to the Leicester and Leicestershire Business Rates Pool (of which the County Council receives around a third, subject to agreement of the Pool members) will potentially reduce by circa £24m. The Government have indicated that the growth has been taken into account within the national base totals as part of the new Settlement Funding Assessment.
68. The Government introduced the Business Rates Retention System from April 2013 and as part of these changes local authorities were able to enter into Pools for levy and safety net purposes. Net surpluses are retained locally rather than being returned to the Government as would have been the case if no Pool had existed. The current pooling agreement allows for the surplus to be shared between the County Council, Leicester City Council and the seven District Councils. An estimate of £8m was included in the original 2025/26 budget for the County Council's share of that year's levies, and the latest estimates show a forecast of circa £7.7m.
69. In total £113m has been retained in Leicestershire between 2013/14 and 2024/25, due to the success of the Business Rates Pool, with a further potential surplus for the pool of £23m forecast in 2025/26.
70. The partners will decide in January 2026 on whether to continue with the Pool in 2026/27, subject to the impact of the reset of baselines. There will be a transitional period of Safety Net levels: 100% in 2026/27, 97% in 2027/28 and 92.5% in 2028/29. The Government also intends to replace the existing 50% Levy with a progressive (and smaller) levy on growth: 10% on growth up to 110% of baseline funding level, 30% between 110–200%, and 45% above 200%. Given the reset and the change to the safety net and levy rules, it is anticipated that pooling will not be as beneficial as in previous years and the risk of losing access to the national safety net will not be worth the reward of not having to pay the 10% levy to the Government.

Council Tax

71. The Localism Act 2011 provides for referendums on any proposed increase in Council Tax which is defined as excessive (using definitions prescribed by central Government) which effectively gives a power of veto. A cap on the core increase of 3% is permitted for County Councils for 2026/27. In addition, they will be permitted to raise an additional 2% to fund adult social care (the adult social care precept).
72. The most financially significant decision of any budget is usually the level that Council Tax will be increased by and the Council's challenging MTFs position and the uncertainty over government funding makes the decision even more crucial. It is a stable and reliable income source and additional income generated from an increase impacts the MTFs in future years – it must be viewed as a long-term financial decision rather than for one year in isolation and has a direct impact on the level of services that the Council will be able to provide. The

referendum caps mean that a decision to reduce by less than the maximum in any one year permanently reduces the taxbase as it cannot be caught up in future years.

73. Every 1% Council Tax is increased by is worth £4.2m to the County Council, that is, £20m cash over the 4-year MTFS. Whilst the Council is using reserves to balance the budget the cash position is of particular importance. Over the MTFS period additional significant “one-off” cash demands are expected due to investment to close the financial gap; local government re-organisation; £84m capital programme borrowing requirement; and the SEND deficit.
74. The 2026/27 draft budget uses a 2.99% increase (£13m of additional income) to demonstrate the impact on the MTFS.
75. It is also important to note that the funding formula assumes that councils will increase Council Tax by the maximum each year. The income from Council Tax included within Core Spending Power, which is the measure that the government uses to assess the total resources available for a Council to fund its services. Furthermore, the new Fair Funding proposals include 100% equalisation, which uses a notional Band D Council Tax amount to calculate the resources adjustment that is made from the formula when arriving at a councils total grant allocation for the year. For 2026/27, the notional amount is based on a Band D level of £1,739 for upper tier authorities. This is £57 above the County Council’s current Band D charge of £1,681.50, meaning that without any increase for 2026/27 the Council would be losing around £14m of funding compared to the level included in the funding formula. Even with a 3% increase for 2026/27, the Council’s Band D amount would be around £7 less, equating to lost income of nearly £2m.
76. The Council’s current Council Tax amount is lower than comparator authorities, contributing to its low funded position. Some examples are shown below:

Council	Band D 2025/26	Difference £/%
Leicestershire	£1,681.50	
Warwickshire	£1,822.95	+£141.45
Nottinghamshire	£1,894.54	+£213.04
Shire County Average	£1,728.00	+£47.00

77. Council Tax is a vital source of income to fund services and it is important that it keeps up with the pace of inflation in order to protect services. For 2026/27, additional costs from increases to the NLW are at 4% and the estimated pay award is 3.5%. These two inflationary factors alone will increase costs by around £17m for next year and account for the vast majority of the overall £19m inflation contingency, which exceeds the £13m that a 2.99% Council Tax increase would raise. This does not leave any funding for demographic and societal pressures (e.g. aging population and increasing support for children) that have been high for Leicestershire in recent years, as reflected in the service growth of almost £50m.

78. The table below illustrates the consequences of different Council Tax decisions, both for the Council and for a Band D household. The difference between a 2.99% and 4.99% increase, for example, is 65p per week on a Band D bill, and £8.6m in additional income for the Council:

% increase in Council Tax for 2026-27	Impact on BandD Council Tax annual bill	Impact on BandD Council Tax weekly bill	Council Tax Income generated from % increase in 2026-27
0%	No change	No change	£0m
2% general	£33.63	£0.65	£8.6m
1% ASC precept	£16.82	£0.32	£4.3m
3% total	£50.45	£0.97	£12.9m
3% general	£50.45	£0.97	£12.9m
2% ASC precept	£33.63	£0.65	£8.6m
5% total	£84.08	£1.62	£21.5m

79. This contributes significantly towards achieving a balanced budget. The Council Tax decision must be based on a balance between service needs and affordability for residents. However, whilst there is a significant budget gap the right course of action for sound financial management is to maximise the increase up to the referendum limit to avoid more pressure on the Council's ability to provide its current range of services.
80. The wider context with partners and stakeholders is also an important consideration in the Council Tax decision. For instance, a lower increase may make negotiation with suppliers, particularly social care providers, more difficult when the Council is putting forward an argument that it cannot afford to pay more for a service. At a time when government is making significant funding and re-organisation decisions this consideration should not be understated.
81. Over the medium term the level of Council Tax is a key determinant of the level of services that can be offered, efficiencies can and should be maximised regardless of the increase taken. Government controls both service standards and funding mechanisms, leaving the key levers to manage the financial position locally as the level of Council Tax; efficiency and effectiveness of operations and the range of discretionary services.
82. The draft MTFS is based on a Council Tax increase of 2.99% in 2026/27 and in each subsequent year. Government policy allows for increases of 4.99% for each year up to 2028/29, but the increases applied will need to be assessed by the Council in light of the revised position in each refresh of the MTFS in future years.
83. The draft MTFS is based on Council Tax base growth of 1.5% for 2026/27 and subsequent years. The district councils will provide tax-setting bases for 2026/27

later in December and the draft MTFS will be adjusted accordingly for the report to the Cabinet in February.

84. Collection fund forecasts from the 2025/26 quarter two show a potential net surplus of £2m that can be reflected in the 2026/27 draft budget.
85. Provisions will be reviewed when the 2026/27 tax bases and collection fund forecasts have been received from the district councils in January 2026. Any changes will be reflected in the report to the Cabinet on 3 February 2026.

Budget Consultation

86. The County Council undertakes an annual consultation on the draft budget. The results of this consultation will be reported to the Cabinet meeting on 3 February 2026. Information is available on the County Council's website <http://www.leicestershire.gov.uk/budget-pressures-find-out-more>. The consultation period runs from 17 December 2025 until 18 January 2026. During that time comments on the Council's budget proposals can be submitted.

2026/27 - 2029/30 Budget

87. The provisional detailed four-year MTFS, excluding Dedicated Schools Grant (DSG), is set out in Appendix A and is summarised in the table below. The provisional 2026/27 budget excluding DSG is detailed in Appendix B.

Provisional Budget	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Services including inflation	591.4	636.6	672.7	715.2
Add growth	48.7	27.0	28.2	27.0
Less savings	<u>-22.9</u>	<u>-10.8</u>	<u>-5.7</u>	<u>-5.4</u>
	617.2	652.8	695.2	736.8
Central Items	3.6	8.6	12.2	14.7
Add growth	0.0	0.0	0.0	0.0
Less savings	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	620.8	661.4	707.4	751.5
Contributions to/from Reserves:				
Funding shortfalls e.g. SEND	34.7	40.9	46.4	51.0
General Fund	1.0	1.0	1.0	1.0
Total Spending	<u>656.5</u>	<u>703.3</u>	<u>754.8</u>	<u>803.5</u>
Funding				
Council Tax	-443.6	-462.2	-483.1	-505.0
Settlement Grants / Business Rates	<u>-189.6</u>	<u>-192.1</u>	<u>-193.5</u>	<u>-192.4</u>
Total Funding	<u>-633.2</u>	<u>-654.3</u>	<u>-676.6</u>	<u>-697.4</u>
Shortfall	<u>23.3</u>	<u>49.0</u>	<u>78.2</u>	<u>106.1</u>

88. The MTFS shows a shortfall of £23m in 2026/27, which at this stage is assumed will need to be met by a transfer from the Budget Equalisation earmarked reserve. There are shortfalls of £49m in 2027/28 rising to £106m in 2029/30. As set out in the following section there is a range of initiatives currently being developed that will aim to bridge the gap.
89. The Council maintains a range of earmarked reserves which are held to cover identified risks or for specific future projects. The Budget Equalisation reserve is held as contingency for the risks and uncertainties in the MTFS and to smooth the impact of budget gaps across the Strategy. Given the significant gap of £49m in the MTFS from 2027/28 it is even more important that this reserve retains at least sufficient balance to cover that gap in the event that newly identified savings have a longer implementation time. After accounting for the £23m required for the 2026/27 gap, this reserve does not have a sufficient balance to fully fund the gap currently forecast for 2027/28. The use of reserves to balance the budget gap is not a sustainable position and so urgent attention will need to be given to identifying further savings or income generation opportunities that can be delivered from 2027/28 onwards.

Savings and Transformation

90. The MTFS is based on the estimated funding for the Council following the Fair Funding and Spending Reviews. This shows that whilst funding will increase by 13% over the multi-year Settlement period, it is not sufficient to offset growth pressures. It is clear that significant additional savings or income generation options will still be required on top of the £45m that have been identified, £23m of which are to be made in 2026/27.
91. This is a challenging task, especially given that savings of £290m have already been delivered over the last sixteen years. This was initially driven by the real term's reduction in Government grants, which is in excess of £100m since 2010. In recent years, service demand pressures have become the main driver.
92. The identified savings are shown in Appendix C and further detail of all savings will be set out in the reports to the Overview and Scrutiny Committees in January 2026. The main proposed four-year savings are:
- Children and Family Services (£20.3m). This includes savings of £16.7m from smarter commissioning, procurement and demand management, £1.5m from the innovation partnership and £0.9m from reduced care costs through growth of internal family-based placements.
 - Adults and Communities (£13.2m). This includes £5.0m from increased Better Care Fund income and £4.6m from prevention reviews.
 - Environment and Transport (£6.9m). Savings include £4.8m from the assisted transport programme, £0.8m from contract procurement efficiencies and £0.7m from food waste implementation.
 - Chief Executive's Department (£0.6m). This includes savings from reviews of several service areas and additional income.
 - Corporate Resources (£3.9m). This includes savings of £1.6m on a review of the Minimum Revenue Provision, £0.9m from ICT efficiencies and £0.6m

from the ways of working office programme and £0.4m from the customer and digital programme.

93. Of the £45m identified savings, efficiency savings and additional income can be grouped into four main types:
 - a) Better commissioning and procurement (£18m)
 - b) Service re-design and delivery (£17m)
 - c) Other (£1m)
 - d) Additional income (£9m)
94. Further savings or additional funding will be required to close the budget shortfall of £49m in 2027/28 rising to £106m in 2029/30.
95. To help bridge the gap several initiatives are being investigated to generate further savings. This work was already underway as part of the Council's strategy to address the MTFS gap, and does not include any of the findings from the Efficiency Review, which is discussed in more detail below. Outlines of the proposals have been included as Appendix D, Savings under Development. Once business cases have been completed and appropriate consultation and assessment processes undertaken, savings will be confirmed and included in a future MTFS. This is not a definitive list of all potential savings over the next four years, just the current ideas and is expected to be shaped significantly as the Efficiency Review progresses.
96. The MTFS also includes an integrated programme of strategic actions to reduce the High Needs deficit by reducing costs through increasing local provision of places, practice improvements and demand reduction initiatives. The aim of the programme is to ensure that the expenditure can be contained within the allocation through the Dedicated Schools Grant. Savings of £48m are planned over the MTFS period.
97. Despite these savings, the High Needs Block deficit continues to grow and is an increasing concern. Whilst the government has confirmed its intention to take over responsibility for funding High Needs spend from April 2028, no details on any plans to fund the historic deficit have been announced. Further details are provided in the Dedicated Schools Grants section of the report below.

Future Financial Sustainability

98. Leicestershire County Council is at a pivotal juncture, with a projected budget gap of £106m by 2029/30, the scale of challenge demands bold, systemic action. Long term reliance on reserves is not viable; the Council must continue to embrace transformational change, opportunities to generate income, and a focus on efficiency to safeguard essential services for residents and communities.
99. The Council's current strategic change portfolio comprises more than 100 initiatives spanning service improvement, change projects, and corporate programmes. These initiatives are not only about cost reduction - they are designed to modernise services, improve resilience, and deliver better outcomes for communities. Programmes already underway include optimising internal

support services, reviewing prevention activity, managing demand in social care, exploring new revenue streams, and reviewing third-party spend.

100. Despite delivery of extensive savings already, a significant gap remains, emphasising the need to accelerate and expand the Council's ambitions and explore new, innovative options. A step-change in approach is required.
101. The Efficiency Review was initiated by the new Administration in response to a then-projected £90m budget gap by 2028/29, alongside mounting pressures on capital funding and special educational needs budgets. To address these financial challenges, the Council commissioned a comprehensive, evidence-led review of all services and spending, aiming to identify ways to accelerate existing initiatives and identify new opportunities. The review will identify opportunities to redesign services, optimise resources, and embed a performance-driven culture across the organisation.
102. Key elements of the review include:
- Reviewing all Council activities for cost reduction, service redesign, and income generation (excluding commercial ventures).
 - Assessing existing MTFS projects and savings ideas to prioritise or redesign them, identify where savings targets could be stretched or accelerated.
 - Strengthening governance, data management and resource mobilisation within the current Transformation Strategy.
 - Reviewing the County Council's approach to delivering change to ensure well placed to support implementation and future Council change initiatives.
103. The review is being undertaken by Newton Impact and commenced in early November, with detailed recommendations due early 2026 to inform future financial planning and Cabinet decisions. From initial diagnostic work, Newton have identified the themes and opportunities below as those with the greatest potential for financial savings and impact on service efficiency:

Theme	Description
Prevention	• Looking at demand drivers to the front door for the Council, particularly for Adult Social Care, and identifying what proportion of these are preventable with appropriate intervention. • Early intervention for Children and Young People (CYP) to keep families together.
Enabling independence – demand management	• Develop processes and services to support timely and effective hospital discharge. • Could more residents be supported outside of residential care. • Identify how more residents could benefit from reablement, including address workforce recruitment issues in HART to reduce waitlists.

	• Expand internal fostering capacity and achieving more reunification for more CYP in the Council's care. • Prevention of placement and family breakdown and increasing family-based placements. • Assisted Transport – go further in reviewing route optimisation, travel assistance and procurement.
Commissioning and Procurement of external spend	• Expand extra care housing as a cost-effective alternative to residential provision. • Mitigate external provider cost pressures through negotiation and contract management. • Review third party spend across the Council to consolidate suppliers.
Maximising income	• Uplifts to fees and charges, especially where charges are currently lower than others. • Introduce new charges where opportunities exist e.g. Network Management. • Maximise returns on commercial assets.
Council Operating Model and workforce capacity	• Consolidation and digital support to 'front door' customer contact. • Review staffing and management structures across the Council. • Using AI and technology to support staff, using benchmarks and best practice to test how efficiently the Council is using resources. • Reduction in agency spend across the Council. • Right sizing of property estate to ensure effective use of space.
Discretionary spend	• Review discretionary services with the potential to reduce.

104. A strong theme of the review has been to improve resident outcomes where possible, alongside maximising efficiency and cost saving opportunities. The demand management and prevention themes give the greatest potential for improving outcomes and service quality. The review is also being done in the context of wider reform to the sector, particularly social care, and will help inform how the Council can prepare for this.

105. There is a Council-wide opportunity in procurement and commissioning, which covers:

- Category Management – structured approach to managing spend by grouping goods and services into types and categories, identifying specific areas to consolidate the supply chain and achieve better value.
- Tail spend management – control of low-value, low-frequency spending across many suppliers.
- Supplier Relationship Management – proactive approach to managing key suppliers to drive performance and value.

- Contract Governance – ensuring existing contracts are robustly managed and complied with.
106. The Council's current third party spend is circa £200m (excluding social care commissioning spend), so small percentage savings against that spend could have a significant impact. However, it is also a more complex and resource intensive saving to deliver and so a quantified financial benefit has not been assessed yet or included in the MTFS. A business case will be developed through the next phase of work to identify the specific procurement opportunities that exist and how the Council can deliver savings from these opportunities. This is likely to include sampling contracts to review what is being purchased, understand contract lengths and current contract monitoring processes.
 107. The first stage of work was focused on any immediate opportunity to accelerate existing MTFS savings. The first of these, included in the MTFS position, is reablement in Adult Social Care. This relates to increasing the capacity of the HART service and therefore the number of residents accessing reablement. This will increase independence for residents and reduce their need for ongoing commissioned care. The initial saving included in the MTFS is £1m, building on an existing saving in this area of £1.9m. The further initiatives that will be developed over the next few months are expected to be a combination of i) ideas that had not progressed due to resource availability, ii) existing initiatives that can be expanded due to greater insight, iii) new initiatives to the Council.
 108. The review is still in its early stages and is progressing as expected. To give the Council assurance over the potential financial benefits which will result from Phase 1c of the review, Newton Impact has offered to waive their fixed fee of £1.4m if the level of additional savings identified and agreed as deliverable by the Council does not exceed £5m. Whilst Phase 1 did not include a fee guarantee mechanism, this has been put forward by Newton as a sign of the confidence they have in the opportunities in the early stages of development.
 109. Further information will be provided to scrutiny committees in January on the progress of the review, as part of the MTFS process. If further initiatives can be developed to a satisfactory level of confidence they will be included in the MTFS report to the Cabinet in February.
 110. The County Council is taking decisive action to close the budget gap and build a financially resilient organisation. The Efficiency Review will result in a revised Transformation Programme underpinned by strong governance and innovation to accelerate delivery and embed new ways of working. With significant uncertainty and change linked to Local Government Reorganisation, the coming year will be critical in driving high-impact change, engaging stakeholders, and preparing the organisation for future challenges.
 111. There will need to be a renewed focus on these programmes during the next few months to ensure that savings are identified and delivered to support the 2026/27 budget gap. Given the scale of the financial challenge, focus will be needed to prioritise resources on the change initiatives that will have the greatest impact, and work is already underway to do this.

Growth

112. Over the period of the MTFS, growth of £131m is required to meet demand and service pressures with £49m required in 2026/27. The main elements of growth are:

- Children and Family Services (£61.6m). This is mainly due to £51.0m for pressures on the Social Care placements budget arising from increased numbers of Looked After Children, £4.5m for unaccompanied asylum seeking children, from increased demand and cost pressures and £2.4m for the Disabled Children Service.
- Adult Social Care (£29.7m). This is largely the result of an ageing population with increasing care needs and increasing numbers of people with learning disabilities and mental health issues. There is also growth of £3.7m for the CQC Improvement Plan.
- Environment and Transport (£21.3m). This mainly relates to increased service user numbers and costs for Special Educational Needs (SEN) transport (£13.3m) and the anticipated costs of the introduction of an emissions trading scheme required by the Government (£6.0m).
- Chief Executives (£0.2m) for increased childcare legal cases.
- Corporate Resources (£1.0m) for Commercial Services (£0.7m) and ICT cyber security (£0.3m).
- Corporate Growth (£17.1m). This has been included to act as a contingency for potential further cost pressures in the later years of the MTFS. The amount has been set based upon historic levels of growth incurred. The contingency reflects that it is not possible to specifically identify all of the growth before the first year of a four-year MTFS.

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

Inflation

114. The Government's preferred measure of inflation is the CPI. In October 2025 this was 3.6%. The Office for Budget Responsibility (OBR) expects inflation to fall to 2.6% in 2026 and then decrease to 2.0% in 2027, and to remain at 2.0% until 2030.

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

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

117. The main local government pay awards in 2025/26 have been based on a standard increase of 3.2% across the whole of the pay scale. The MTFS provides for an estimated average annual pay award increase of 3.5% in 2026/27 and later years.

118. The Trade Unions have submitted a claim for 2026/27 of the greater of £3,000 or 10% on each pay point. This would increase pay costs by circa 10.5%, around 200% higher than the 3.5% assumed in the MTFS. The National Employers' offer is unlikely to be known before the MTFS is reviewed again and reported to the Cabinet in February 2026.
119. The Leicestershire Local Government Pension Scheme (LGPS) has undertaken a triennial actuarial assessment which will set rates from 2026/27. The improved funding position of the fund has enabled a 6% reduction in the level of the Council's contribution rate to be budgeted for, which will reduce the net costs over services by circa £9.2m.
120. Detailed service budgets for 2026/27 are compiled on the basis of no pay or price increases. A central contingency for inflation is to be held, which will be allocated to services as necessary.

Central Items

121. Capital financing costs are budgeted at £12.4m in 2026/27, reduced from £14.8m in the original 2025/26 budget mainly due to debt interest savings following the early repayment of £29m of external debt principal in September 2025. Financing costs are expected to then rise to £12.5m in 2027/28, £13.3m in 2028/29 and £13.9m in 2029/30, as a result of the increasing financing requirement for the capital programme.
122. Interest income relating to Treasury Management investments is budgeted at £11.0m in 2026/27 and is estimated to reduce to £6m in 2027/28, £3m in 2028/29 and £1.0m in 2029/30, as balances are reduced to fund internal borrowing for the capital programme and interest rates are expected to fall. Whilst the Council has benefitted, and continues to benefit, from high interest rates, this will reduce in later years of the MTFS.

Health and Social Care Integration

Better Care Fund (BCF)

123. Health and Social Care Integration continues to be a national government priority. Developing effective ways to co-ordinate care and integrate services around the person and provide more of this care in community settings are seen nationally and locally as key to improving outcomes and ensuring high quality and sustainable services for the future.
124. The Council has received funding from the NHS through the Better Care Fund (BCF) since 2015/16 in line with levels determined by Government. The BCF's purpose is to help the Council finance the delivery and transformation of integrated health and care services to the residents of Leicestershire, in conjunction with NHS partners.
125. The BCF policy framework and planning requirements are refreshed regularly and may cover one year or a number of years. The Department of Health and

Social Care (DHSC) and MHCLG published a one year framework for the implementation of the BCF in 2025/26 on 31 January 2025. The framework for 2026/27 has not yet been published.

126. The four national conditions set by the Government in the BCF policy framework for 2025/26 are:

- Plans to be jointly agreed
- Implementing the objectives of the BCF
- Complying with grant and funding conditions, including maintaining the NHS minimum contribution to adult social care (ASC)
- Complying with oversight and support processes

127. The Better Care Grant was introduced in 2025/26 as a combined grant replacing both the Improved Better Care Grant and the ASC Discharge Fund Grant. The grant conditions require that the funding is used for:

- meeting adult social care needs;
- supporting people to be discharged from hospital when they are ready (including supporting the principles of 'Discharge to Assess');
- ensuring that the social care provider market is supported.

128. The value of BCF funding for Leicestershire in 2026/27 is shown in the table below. The NHS minimum contributions for 2026-27 and an indicative position for 2027-28 were published on 17 November.

129. The Better Care Grant has been included in the table at 2025/26 values as the funding for 2026/27 has not yet been announced.

	2026/27 £m	
NHS Minimum Allocation	59.0	Level mandated by NHS England
Better Care Grant	21.8	Allocated to local authorities, specifically to meet social care need and assist with alleviating pressures on the NHS, with emphasis on improving hospital discharge, and stabilising the social care provider market.
Disabled Facilities Grant	5.5	Passed to district councils
Total BCF Plan	86.3	

130. In 2026/27, £24m of the NHS minimum allocation into the BCF will be used to sustain adult social care services. The national conditions of the BCF require a certain level of expenditure to be allocated for this purpose. This funding has been crucial in ensuring the Council can maintain a balanced budget, while ensuring that some of its most vulnerable users are protected; unnecessary hospital admissions are avoided; and the good performance on delayed transfers of care from hospital is maintained.

131. In addition to the required level of funding for sustaining social care service provision, in 2026/27 a further £9m of Leicestershire's BCF funding has been

allocated for social care commissioned services. These services are aimed at improving carers' health and wellbeing, safeguarding, mental health discharge, dementia support and crisis response.

132. The balance of the NHS Minimum Allocation £26m is allocated for NHS commissioned out-of-hospital services. The County Council commissions community care services on behalf of the NHS through shared care and joint funding arrangements. The Council is reviewing these arrangements alongside the provision of Continuing Health Care and Funded Nursing care to ensure residents are receiving optimal care and it is funded appropriately.
133. Any reduction in the funding for social care from the BCF would place additional pressure on the Council's MTFS, and without this funding there is a real risk that the Council would not be able to manage demand or take forward the wider integration agenda.

Other Grants and Funds

134. There are a number of other specific grants included in the MTFS, most of which are still to be announced for 2026/27. The main grants are shown below with their 2025/26 allocation.

- Public Health – £29.9m.
- Asylum Seekers – estimated £11m.
- Pupil Premium – estimated £5.4m.
- Children and Families Grant – estimated £3.1m
- Universal Infant Free School Meals – estimated £2.3m.
- Music Education Hubs Grants – £1.5m.
- PE and Sports – estimated £1.1m.
- Bus Service Improvement Plans – £6.5m.

Dedicated Schools Grant Settlement 2026/27

Schools Block

135. School funding continues to be delivered through the National Funding Formula (NFF), which applies nationally consistent funding rates for all pupils, irrespective of the local authority in which they are educated. Within the NFF, only the basic per-pupil entitlement is universal; all other elements reflect additional needs such as deprivation, low prior attainment (LPA), English as an additional language, and mobility. Nationally in 2026/27, 74.3% of NFF funding is allocated through the basic entitlement, 18.1% through additional needs, and 6.4% through school-led factors
136. For 2026/27, there are no structural changes to the NFF. However, the DfE has rolled the Schools Budget Support Grant (SBSG) and National Insurance Contributions (NICs) Grant into the NFF. These have been incorporated through uplifts to the basic entitlement, free school meals (FSM), lump sum, Minimum Per-Pupil Levels, and each school's baseline for the funding floor. A further 2.11% increase has been applied to most pupil-led and school-led factors, with

the FSM factor increasing by 1.66%. Local authorities are required to move their local funding formulae at least 10% closer to the NFF compared with 2025/26, unless they already fully mirror the national formula. Local authorities must operate a Minimum Funding Guarantee (MFG) between 0% and 0.5%, in line with the national funding floor, which is set at 0%, ensuring no school receives a reduction in its per-pupil funding compared to 2025/26 once rolled-in grants are accounted for. This has required Leicestershire to seek permission to continue to fund rental costs in some small schools. With these exceptions, assuming approval from the DfE, the Leicestershire funding formula remains fully in accordance with the NFF.

137. In November 2025, the Cabinet decided not to approve a transfer of funding from the Schools Block to the High Needs Block of the Dedicated Schools Grant (DSG). Instead it agreed to explore a per-pupil contribution from schools to support pupil outreach support and seek a financial commitment from schools to supporting ongoing mainstream inclusion.
138. The provisional Schools Block allocation for 2026/27 is £586.8m (increase of 2.23%). The provisional allocation is based on the October 2024 school census, and final allocations will be confirmed in December 2025 based on updated October 2025 census information. As in previous years, changes in pupil characteristics (e.g., increased deprivation or additional needs) between census points may impact affordability for local authorities. Adjustments to the MFG and capping/scaling arrangements may therefore be required to ensure affordability within the Schools Block DSG allocation.
139. Whilst the NFF for schools is based upon the 2025 school census, funding for local authorities is based upon the pupil characteristics recorded in the 2024 school census. Any increase in pupils eligible for additional funding, i.e. free school meals, is unfunded and as for 2026/27 may result in it not being possible to meet the cost of fully delivering the NFF from the Schools Block DSG. This impact will be reviewed once data from the 2025 census has been received. The national regulations allow for an adjustment to the MFG which can be used in conjunction with capping and scaling within the school funding formula to ensure the budgets for schools are affordable within the Schools Block DSG.
140. Minimum per-pupil levels have increased due to the rolled-in grants and are set at £5,115 for primary and £6,640 for secondary pupils. These levels are mandatory for all local funding formulae. As the funding floor and MFG protection operate at a per-pupil level, schools experiencing reductions in pupil numbers will see corresponding decreases in overall budget allocations
141. Additionally, the Government has confirmed that free school meal entitlement will expand to all children in households receiving Universal Credit from September 2026. This expansion will be funded through a separate grant, not through the DSG or NFF in 2026/27, and further details will be published by the DfE in due course.

Central Services Block

142. The central services block funds a number of school-related expenditure items such as existing school-based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic costs. For 2026/27, the central schools block will incorporate the SBSG and NICs grant elements relating to centrally employed staff. The provisional Settlement is £4.8m for 2026/27.
143. The annual 20% reduction to historic commitments continues in 2026/27. Reductions will now be applied against the 2025/26 baseline rather than the immediately preceding year. Protections remain in place for pre-2013 termination of employment costs. The DfE expects that, subject to further review, only residual protected elements will remain by 2030.

Early Years Block

144. No detail of 2026/27 early years funding settlement has been released yet, with any pending updates likely to be over the coming weeks.

High Needs

145. No detail of 2026/27 High Needs funding settlement has been released yet, with any pending updates likely to be over the coming weeks.
146. At the end of 2024/25 the accumulated High Needs deficit stood at £64.4m and is now projected to rise to £110.5m at the end of 2025/26. If future demand remained on a similar trajectory to 2025/26, the cumulative DSG deficit could increase to around £460m by March 2030, as shown in the projection below:

	2026/27 £,000	2027/28 £,000	2028/29 £,000	2029/30 £,000
Grant Income	-120,912	-124,516	-128,228	-132,075
Total Expenditure	197,908	223,451	251,093	281,650
Total Savings	-4,817	-15,810	-30,064	-47,627
Annual Revenue Funding Gap	72,180	83,125	92,801	101,948
2019/20 High Needs Deficit	7,062			
2020/21 High Needs Deficit	10,423			
2021/22 High Needs Deficit	11,365			
2022/23 High Needs Deficit	6,683			
2023/24 High Needs Deficit	5,650			
2024/25 High Needs Deficit	23,215			
2025/26 High Needs Deficit forecast	46,040			
Cumulative High Needs Funding Gap	182,618	265,743	358,544	460,492

147. Although it is understood from 2028/29 the Government will absorb SEND costs, it has not specified how this will be achieved. This would mean that local authorities would not build up further DSG deficits from 2028/29. However, based on current policy, local authorities would then be required to recognise the historic DSG deficits, which are expected to reach £14 billion nationally, on their balance sheets. This would be very likely to result in many local authorities issuing Section 114 Notices – effectively declaring that they are unable to set a balanced budget. The fiscal impact of this would depend on how central government and individual local authorities respond. The Government has not set out how it will address this issue other than to state that its policy position is to work with local authorities to manage their SEND deficits and that it will set out more detail at the provisional Local Government Finance Settlement in December 2025, supported by any subsequent updates contained in the Schools White Paper due to be published in the new year.
148. Despite current mitigations, the levels of projected growth mean that the financial position is unsustainable, and whilst the transfer of responsibility to government from 2028/29 is welcome, the historic deficit still presents a huge challenge and impacts the Council's General Fund in other ways, such as loss of investment income from cash-flowing the deficit. As such it is essential that the planned measures to contain ongoing growth are successful. Further mitigations and actions are actively considered to reduce the projected financial burden on the DSG 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.
149. In developing additional mitigations, consideration is being given to aligning actions to anticipated changes in the Schools White Paper. Whilst the actual content of this paper is unknown, through the work the authority is undertaking for the DfE as part of the Change Programme Partnership, the Council is aware there will be a key focus on 'mainstream inclusion'. This will include working with all mainstream schools to ensure there is a much stronger emphasis on children and young people with complex and significant needs attending their local mainstream school wherever possible. To deliver this new approach, it will require the full co-operation of school leaders and their close partnership working with the Council and each other.

Earmarked Funds and Contingency

150. The General Fund balance is available for unforeseen risks that require short term funding. The forecast balance on the General Fund (non-earmarked fund) at the end of 2025/26 is £26m which represents 4.1% of the net budget (excluding schools' delegated budgets), this is a relatively low level compared to similar authorities. It is planned to increase the General Fund to £30m by the end of 2029/30 to reflect increasing uncertainty and risks over the medium term, and to avoid a reduction in the percentage of the net budget covered. These risks come in a variety of forms:
- Legal challenges such as judicial reviews that may result in a change in savings approach.

- Regulatory issues that come with a financial penalty, for example General Data Protection Regulations (GDPR).
 - Service provision issues that require investment, for example the capital investment to support the High Needs Block Development Plan.
 - Variability in income, particularly from asset investments.
 - High levels of inflation.
151. To put the level of resources into context: with the exclusion of schools, the County Council spends around £75m a month.
152. The proposed MTFS also includes a contingency of £8m in each year for other specific key risks that could affect the financial position on an ongoing basis. Examples include:
- The non-achievement of savings.
 - Uncertainty of partner funding, for example the provision of services through the BCF.
 - Pressure on demand-led budgets particularly in social care and high needs.
 - Maintaining the level of investment required to deliver savings.
 - New service pressures that arise.
 - No discretionary growth provided for.
 - Risks around commercial services.
 - Other one-off pressures.
153. If the contingency is not required resources will be directed to reducing the revenue gaps in later years.
154. Other earmarked reserves for revenue purposes (excluding schools' balances and partnerships) are held for specific purposes including insurance, change initiatives, severance costs, invest to save schemes and renewals of vehicles and equipment. Earmarked reserves are also held for capital purposes.
155. The type and forecast level of earmarked reserves, based on current information, is shown below.

Category of Reserve	Forecast balance 31/3/26 (£m)
Risk	133
Capital Projects	84
Revenue Projects	15
Partnerships	10
Ring-fenced Grants	4
DSG Deficit	(94)
Total forecast Earmarked Reserves	152

156. There is funding available within the budget equalisation reserve of £23m to offset the forecast 2026/27 MTFS budget deficit but it is not sufficient to support future years, hence the urgent requirement to identify further savings opportunities.

Adequacy of Earmarked Reserves and Robustness of Estimates

157. The Local Government Act 2003 requires the Director of Corporate Resources to report on the adequacy of reserves, and the robustness of the estimates included in the budget. The financial environment continues to be challenging with a number of known major risks over the next few years as set out in this report. This means that holding a prudent level of reserves is even more important.
158. When setting the MTFS prudent and realistic estimates have been used for core assumptions. The following table provides a summary of the impact of changes to those key assumptions:

Impact of (+ or -)	Likelihood	Equates to (+ or -)
1% Council Tax	Low	£4.2m
1% Business Rates growth	Medium	£0.6m
1% Pay award (excludes staff funded from specific grant, e.g. Dedicated Schools Grant, Public Health etc.)	Medium	£2.2m
1% Non-pay budget	Medium	£1.6m
1% ASC demand growth	Medium	£2.2m

159. Having taken account of the overall control framework, budget provisions included to support the delivery of transformation, growth to reflect spending pressures, the inclusion of a contingency for MTFS risks and the earmarked reserves and balances of the County Council, assurance can be given that the estimates are considered to be robust and the earmarked reserves are adequate in the short term. The Council's previous strategy has been for the budget equalisation reserve to support the first two years of financial gaps in the MTFS but based on current projections it is only sufficient to support 2026/27. Given that there is still a £23m gap for 2026/27 and that further work is ongoing to reduce the gap ahead of final budget proposals in February, the assurance statement will need to be reviewed to ensure any changes made are reasonable and prudent.
160. The overall financial position remains challenging and the focus needs to be on both delivering savings and managing demand, which the Efficiency Review will support. Delivery of the revised Transformation Programme which will arise from the review will need to be a key priority.

Concluding Comments – Revenue Position

161. The draft MTFS shows a £23m gap in 2026/27 (subject to further issues such as the Local Government Settlement). There is a financial gap of £49m in 2027/28 rising to £106m by 2029/30. Further savings are being actively explored to the reduce this gap, with particular focus on 2026/27, and an update on progress will be given to scrutiny bodies in January and to the Cabinet and Council in February.
162. The Council has used a small level of reserves when setting the budget for the last two financial years, and reliance on reserves long term is not sustainable. The budget equalisation reserve is not at a sufficient level to fully fund the gap beyond 2026/27 and so focused action and financially prudent decisions must be taken. The level of Council Tax increase will be a key consideration when assessing final budget proposals for 2026/27 and it must be viewed as a long term decision rather than one year in isolation.
163. There are significant uncertainties that could change the financial gap facing the County Council, particularly given the lack of clarity from government over the Fair Funding proposals, the late Settlement and late changes without prior consultation. Councils have been placed in an unreasonable and unfair position at this late stage of the budget setting process, having no clear information from MHCLG on the impact of funding proposals and changes such as the reinstatement of the Recovery Grant which go against original principles.
164. The Council continues to face huge social care demand, and is also seeing increased complexity in the type of care that is required which is further increasing costs. The Efficiency Review will focus on demand management and prevention to help stem these costs and improve outcomes for residents, but reforms are also needed, particularly in Children's Social Care and SEND.
165. Successful delivery of savings is dependent upon a range of factors, not all of which are in the control of the County Council. All savings included in the MTFS have had an initial deliverability assessment so that a realistic financial plan can be presented. With 2026/27 not forecast to be balanced there is less time to generate new savings and a lower margin of error on delivery. Identifying new savings will be a key activity a task made harder by the reduced options available.
166. In addition to these direct uncertainties the County Council is not insulated from financial difficulties of partner organisations. Currently the County Council's ongoing financial plans include £59m of funding related to the BCF. Even a partial loss of this funding would be difficult to manage.
167. Maintained schools and academies are under significant financial pressure; this could affect the County Council through its statutory responsibilities relating to education, for example to ensure the provision of sufficient school places.
168. The growing deficit on the high needs budget/DSG reserve, to potentially £460m by the end of the MTFS period, is a major concern and whilst the transfer of

responsibility to fund SEND to government from April 2028 is welcome, there is no clarity on how the historic deficit will be funded.

169. Despite continuing to be a high performing authority, it is inevitable that the constantly tightening financial position alongside dealing with significantly increasing demand will have an impact on the Council's services.
170. The national challenges with SEND are well publicised, and until growth abates allowing staffing and provision to meet demand backlogs will continue. The impact of social care capacity on the NHS is a national focus, but the impact goes both ways with higher levels of complexity faced at discharge alongside restricted funding for joint packages of care. This can result in challenges securing care packages at acceptable costs delay the required interventions.
171. The delivery of this MTFS rests on four factors:
 - Dealing with the continued increase in demand for services and the cost of delivering them
 - The absolute need to deliver the savings in the MTFS and to identify and deliver further savings
 - The need to have very tight cost control, especially over demand-led budgets, such as social care and special education needs.
 - The need to manage other risks that could affect the Authority's financial position. These include costs currently being borne by other public sector partners shifting to local authorities, and loss of trading income.
172. Before a further MTFS report is considered by the Cabinet on 3 February 2026 the provisional MTFS will be reviewed and the overall position will be updated in light of the response to the consultation, the latest budget monitoring position for 2025/26 and Government announcements, including the Local Government Finance Settlement.

Capital Programme 2026/27 to 2029/30

173. The overall approach to developing the capital programme has been based on the following key principles:
 - To invest in priority areas of growth including roads, infrastructure, economic growth and to support delivery of essential services.
 - No discretionary Capital schemes will be added to the programme unless fully funded by external sources.
 - Capital schemes will only be added to the programme once a Business Case has been completed.
 - To invest in projects that generate a positive revenue return (spend to save), Minimum return on investment for new schemes: 7% return (circa 10 year payback) .
 - Passport Government capital grants received for key priorities for highways and education to those departments.
 - No new forward funding of section 106 contributions.

- Maximise external sources of income including capital receipts, section 106 housing developer contributions and bids to external funding agencies.
- No investment in capital schemes primarily for financial return where borrowing is required anywhere within the capital programme (in line with the Prudential Code).
- In exceptional circumstances limited prudential borrowing will be considered where needed to fund essential investment in service delivery.
- Through risk appraisal of new schemes, with adequate contingencies held.

174. The draft capital programme totals £456m over the four years to 2029/30, shown in detail in Appendix F. The programme is funded by a combination of Government grants, capital receipts, external contributions, revenue balances and earmarked funds.

175. The draft programme and funding are shown below.

Draft Capital Programme 2026-30

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Children and Family Services	38.6	37.7	7.6	3.2	87.2
Adults and Communities	8.4	5.9	5.9	5.5	25.8
Environment and Transport	66.1	54.0	54.6	55.0	229.7
Chief Executive's	0.2	0.0	0.0	0.0	0.2
Corporate Resources	2.0	2.0	1.3	1.9	7.1
Corporate Programme	13.8	27.1	29.5	35.5	105.9
Total	129.1	126.8	99.0	101.1	456.0

Capital Resources

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Grants	56.6	61.8	65.5	70.6	254.5
Capital Receipts from sales	4.2	4.9	6.5	0.8	16.4
Revenue/ Reserve Contributions	47.7	7.2	0.1	0.1	55.2
External Contributions	20.7	19.2	5.8	0.6	46.3
Total	129.1	93.1	78.0	72.1	372.4
Funding Required	0.0	33.6	21.1	29.0	83.6

176. Where capital projects are not yet fully developed, or plans agreed, these have been included under the heading of 'Future Developments' under each departmental programme. It is intended that as these schemes are developed during the year, they will be assessed against the balance of available resources and included in the capital programme as appropriate. A fund of £38m is included in the draft capital programme, shown within the Corporate programme.

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

Service Improvements	£272m
Invest to Save	£49m

Investment for Growth	£72m
Future Developments/ Risk Contingency	£63m
Total	£456m

Funding and Affordability

Forward Funding

178. The County Council has previously forward funded investment in infrastructure projects to enable new schools and roads to be built and unlock growth in Leicestershire before funding, mainly from section 106 developer contributions, is received. This allowed a more co-ordinated approach to infrastructure development. In previous years £20m has been forward funded in the capital programme. Of this total, £9.5m has already been repaid and £5.5m is estimated to be repaid between 2025/26 and 2029/30. The balance of £5m is estimated to be repaid after 2030. When the expected developer contributions are received, they will be earmarked to the capital programme, to reduce the dependency on internal cash balances in the future.
179. There are risks involved in managing and financing a programme of this size. And an increased reliance on developer contributions through section 106 agreements means that it may take many years for investment to be repaid. Historic agreements may not be sufficient for the actual cost of infrastructure in the high inflation environment that is currently being experienced. The drivers of inflation are having a particularly profound impact upon construction schemes. Risks could be further compounded in the event of an economic slowdown, which could delay the housing development required before section 106 funding is received.
180. A key determinant in generating sufficient developer contributions is the approach taken by the district councils, as the local planning authorities. The district council will set the local planning context against which section 106 agreements will be agreed and ultimately decide on planning permission.
181. The Council's financial position, both in relation to capital and revenue funds is grave. As the lowest funded county council in England, the Council has limited capacity to provide capital funding, or forward funding (recovered over a period of time) to support planned growth and therefore the focus must be on maximising developer contributions and delivery rather than the County Council filling viability gaps in highways infrastructure requirements.
182. Due to the risk of forward funding not being repaid, for example if a developer's planned scheme is no longer viable, the County Council's intention is for all future schemes to be fully funded, including adequate contingency, before a commitment is made to progressing them. Without appropriate funding, infrastructure relating to further plans cannot be added to the programme. It is therefore critical that Local Plans are prepared with sufficient evidence to secure contributions and delivery for critical infrastructure.
183. Whilst this approach significantly reduces the financial risk faced by the County Council, in the shorter term, it does not remove it entirely. Until such time as

Government policy reflects and addresses the challenges faced by local authorities in meeting housing needs whilst ensuring infrastructure is available and appropriate, district councils (as the planning authorities) are in the best position to manage the developer contribution risk. It is therefore necessary for the district councils to work with the County Council to ensure Local Plans include policies that balance the need to support delivery of growth without exposing the County Council to further financial risk. District councils also need to work with the County Council to direct more funding towards priority infrastructure. The need for this is the subject of a separate report on the agenda for this Cabinet meeting concerning proposed strategic spatial and transport planning work.

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

Capital Grants

185. Grant funding for the capital programme totals £255m across the 2026-30 programme. The majority of grants are awarded by Government departments including the Department for Education (DfE) and the Department for Transport (DfT). At this stage some grants are not yet known and have been estimated.

Children and Family Services

186. Capital grant funding for schools is provided by the Department for Education (DfE). The main grants are:

- a) Basic Need – this grant provides funding for new pupil places by expanding existing schools and academies or by establishing new schools. Funding is determined through an annual submission to the DfE which identifies the need for additional school places in each local authority area. In March 2025 the DfE announced Basic Need grant allocations for 2026/27 and 2027/28 of £1.2m and £0.7m respectively. This compares with £17m awarded in 2025/26. The methodology they have used differs to previous years and now incorporates funding thresholds for planning areas below which grant funding will not be provided. This change in methodology has resulted in a significant reduction in the level of funding the Council will receive for 2026/27 and 2027/28. The Council has made representation to the DfE regarding this change in methodology and the impact it will have on enabling the Council to meet its statutory duty of providing sufficient mainstream places. A nominal estimate of £1m has been used for 2028/29 and 2029/30, which will be updated once the allocations are announced.
- b) Strategic Capital Maintenance – this grant provides the maintenance funding for the maintained school asset base. Details of the grant for 2026/27 and future years have not yet been announced. An estimate of £8m (£2m per annum) is included in the capital programme.

- c) Devolved Formula Capital - funding provided to schools. The DfE has not yet announced details of grant allocations. An estimate of £1.6m (0.4m per annum) is included in the MTFS, based on the number of maintained schools.

Adult Social Care

- 187. Capital funding for the Disabled Facilities Grant (DFG) programme has not yet been announced. An estimate in line with previous years of £5.5m per annum has been included in the capital programme.

Environment and Transport

- 188. The main Department for Transport grants have been announced for the next four years. These include:
 - a) Local Transport Grant (LTG) - £74m in total. The LTG provides funding to improve and maintain local transport infrastructure. It replaces the previous Integrated Transport Block (ITB) and provides capital funding to help councils deliver transport priorities and improvements.
 - b) Highways Maintenance Block - Baseline funding £106m in total.
 - c) Highways Maintenance Block - Incentive funding - £39m in total, of which £34m is currently included in the capital programme.
- 189. Highways Maintenance Block Grant provides funding to maintain and improve local roads. The overall grant allocation for 2026/27 of £29.8m is an increase of £1m compared to the current years allocation. In 2026/27 a proportion of this funding (£8m or 27%), has been designated as incentive funding and will be subject to the Council as the Local Highway's Authority (LHA) demonstrating that it has complied with best practice in highways maintenance. For 2026/27, 50% of the incentive funding will be subject to LHA performance. Further details on the performance-based measures are expected to be confirmed by the DfT in due course. Further performance-based metrics are likely to be considered as part of future incentive fund allocations. For the purpose of the 2026-30 MTFS Capital Programme, 100% incentive funding has been assumed in 2026/27 and 2027/28, dropping to 75% from 2028/29 onwards to reflect the uncertainty in future performance-based metrics.

Capital Receipts

- 190. The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £16m across the four years to 2029/30.
- 191. The estimate includes potential land sales that are subject to planning permission. In these cases the value of the site is significantly increased when planning permission is approved. However, this also comes with a significant amount of uncertainty and potential for delays.

Revenue / Earmarked Funds/ Contributions

192. To supplement the capital resources available and avoid the need for borrowing, £55m of revenue/ reserves funding is being used to fund the programme.
193. The capital financing reserve temporarily holds revenue contributions to fund the capital programme until they are required. Other capital funding sources that contain restrictions are maximised before using the capital financing reserve.

External Contributions and Earmarked Capital Funds

194. A total of £46m is included in the funding of the capital programme 2026-30. This relates mainly to section 106 developer contributions.

Funding from Internal Balances

195. Overall a total of £84m additional funding is required to fund the proposed 4-year capital programme and enable investment in schools and highway infrastructure to be made. Over the next 10 to 15 years £5m of this funding will be repaid through the associated developer contributions forward funded.
196. Due to the strength of the County Council's balance sheet, it is possible to use internal balances (cash balances) to fund the capital programme on a temporary basis instead of raising new external loans. Levels of cash balances held by the Council comprise the amounts held for earmarked funds, provisions, the Minimum Revenue Provision (MRP) set aside for the repayment of debt and working capital of the Council. The cost of raising external loans over the medium to long term is forecast to exceed the cost of interest lost on cash balances by circa 2%.
197. The overall cost of using internal balances to fund £84m of investment depends on what happens to interest and borrowing rates over the medium to long term. Current forecasts show the cost of externally borrowing would be around £6.5m per annum for the next 40 years, in interest and repayment of principal - MRP. Internal borrowing would still require MRP setting aside but net interest savings could amount to £2m per annum. Because of the uncertainty on interest rates, this position will be kept under review as part of the treasury management strategy.
198. The County Council's external debt as at March 2026 is estimated to be £146m. This is not assumed to increase during the MTFS period. The relative interest rates and cash balances will be kept under review to ensure that this is the right approach.

Capital Programme Summary by Department

199. Over the period of the MTFS, a capital programme of £456m is required of which £129m is planned for 2026/27. The main elements are:
200. Children and Family Services - £87m. The priorities for the programme are informed by the Council's School Place Planning Strategy and investment in

SEND as part of the High Needs Development Plan. The programme includes £49m investment in additional school places and £27m in SEND additional places.

201. The programme is mostly funded by DfE capital grants and section 106 contributions. However due to a combination of increased inflationary costs, legacy section 106 shortfalls and a change in DfE grant allocation methodology, extra funding of £6.7m is required to fund the additional school places programme. An initial increased allocation was included in the September 2025 refresh of the capital programme, and the report noted that further funding would still be required – expected to be in the region of a further £20m at that point. This has been reduced to £6.7m due to identifying further section 106 contributions that can be used, and some changes to schemes to reduce costs. The additional funding required can be financed from the capital financing reserve and by reducing the allocation in the capital programme portfolio risk fund. This is possible because some schemes (across the wider capital programme) for which the risk is held have either progressed close to completion or because other funding has been identified. Use of funding towards this shortfall does mean however that the funding will not be available to reduce the £84m funding gap and that borrowing may be more likely to be required.
202. Adults and Communities - £26m. The programme includes £22m relating to the Disabled Facilities Grant (DFG) programme and schemes for the Social Care Investment Plan (SCIP).
203. Environment and Transport - £230m – completion of the Zouch Bridge replacement major scheme; investment in the Transport Asset Management (TAM) programme – preventative and restorative highways maintenance - and the Environment and Waste Programme. Other significant projects include the Melton Depot replacement and the corporate wide vehicle replacement programme.
204. Chief Executive's - £0.2m, new legal case management system.
205. Corporate Resources - £7m, essential investment in ICT and Property.
206. Corporate Programme - £106m. Investment in the Investing in Leicestershire Programme (liLP) £43m (subject to business cases), the future developments fund £38m (subject to business cases), and the major schemes capital portfolio risk fund of £25m.
207. Details of the proposed capital programme are shown in Appendix F to this report.

Investing in Leicestershire Programme

208. The Council directly owns and manages properties, including Industrial, Office and County Farms as part of the Investing in Leicestershire Programme (liLP). The fund also includes financial investments outside of direct property ownership, for example private debt, and pooled property investments (the indirect investments provide diversification of the fund). The fund is held for the

purposes of supporting the delivery of various economic development objectives and is also income generating so makes a contribution to the Council's overall financial position. The aims of the ILP Strategy align with the five strategic outcomes set out in the Council's Strategic Plan (strong economy, transport and infrastructure; improved opportunities; great communities; safe and well; and clean and green. The Council's strategy for its rural estate is the subject of a separate report on the agenda for this Cabinet meeting.

209. A total of £43m has been included in the draft 2026-30 capital programme. This will bring the total held to £260m (based on historic cost). Annual income returns are currently around £9m, excluding capital growth, contributing ongoing net income for the Council.

Capital Summary

210. The capital programme totals £456m over the four years to 2029/30. The Council recognises the need to fund long term investment and has forward funded £20m of capital infrastructure projects for highways. £10m has already been repaid, with £5m estimated to be repaid by 2029/30 and the balance of £5m expected between 2030 and 2039.
211. Longer term infrastructure schemes (outside of the MTFS period) are not included in the programme.
212. There are significant financial pressures in the School Accommodation programme due to increased inflationary costs, legacy section 106 shortfalls and a change in DfE grant allocation methodology requiring additional funding of £6.7m above the grants provided by the DfE. This gap can only be met through the use of Council discretionary funding from reserves and the capital risk programme.
213. Overall £84m from internal cash balances will be used to fund the cash flow of capital programme. As such there is very limited scope to add further capital schemes to the capital programme. The additional revenue costs arising from this total £6.5m per annum, on the basis of internal borrowing.
214. By their nature, discretionary asset investments, which are made to generate capital receipts or revenue returns, are risky. Whilst this is partially mitigated by the County Council's ability to take a long-term view of investments, removing short-term volatility, it is likely that not all investments will yield returns in line with the business case.
215. A significant portion of the programme enables revenue savings; delays or unsuccessful schemes will directly affect the revenue position.
216. Additional Government investment in housing and infrastructure is increasingly subject to a competitive bidding process and areas with devolution deals are likely to be preferred.

Other Funding Updates

East Midlands Freeport

217. The County Council is acting as Accountable Body in relation to the establishment and ongoing activity of the East Midlands Freeport (EMF). The Freeport has been in operation since March 2023.
218. The County Council has provided up front funding to support business case development and wider set up costs. This is in the form of a commercial loan capped at £4m. Capacity funding has also been received from MHCLG. A total of £2.9m of the loan has been drawn down. The loan has now been fully repaid during 2025/26 from the Freeport's retained business rates income stream.

Equality and Implications

219. Under the Under the Equality Act 2010 local authorities are required to have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation;
 - Advance equality of opportunity between people who share protected characteristics and those who do not; and
 - Foster good relations between people who share protected characteristics and those who do not.
220. Given the nature of the services provided, many aspects of the Council's MTFS will affect service users who have a protected characteristic. An assessment of the impact of the proposals on the protected groups must be undertaken at a formative stage prior to any final decisions being made. Such assessments will be undertaken in light of the potential impact of proposals and the timing of any proposed changes. Those detailed assessments will be revised as the proposals are developed to ensure that decision-makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic as well as information to enable proper consideration of the mitigation of the impact of any changes on those with a protected characteristic.
221. A high-level Equalities Impact Assessment of the MTFS 2025-29 was completed last year to:
- Enable decision makers to make decisions on an informed basis which is a necessary component of procedural fairness;
 - Inform decision makers of the potential for equality impacts from the budget changes;
 - Consider the cumulative equality impacts from all changes across all Departments;
 - Provide some background context of the local evidence of cumulative impacts over time from public sector budget cuts.

222. This assessment will be revised and updated for the new MTFS 2026-90 and included in the proposed MTFS to the Cabinet in February 2026. Many of the proposals in the MTFS were agreed as part of the decision to adopt the previous MTFS, and others are amendments to existing plans that have already been agreed.
223. Overall, the previous assessment found that the Council's budget changes will have the potential to have an adverse impact older people, children and young people, working age adults with mental health or disabilities and people with disabilities more than people without these characteristics. This is as expected given the nature of the services provided by the Council. The findings between April 2020 and March 2025 of the Leicestershire Community Insight Survey found that a significantly higher percentage of women, non-white British people, people with health problems, people with a disability and people who receive care support responded that they had been affected a "fair amount" or a "great deal" by national and local public sector cuts.
224. There are several areas of the budget where there are opportunities for positive benefits for people with protected characteristics both from the additional investment the Council is making into specialist services and to changes to existing services which offer improved outcomes for users whilst also delivering financial savings.
225. If as a result of undertaking an assessment, potential negative impacts are identified, these will be subject to further assessment.
226. Any savings arising out of a reduction in posts will be subject to the County Council's Organisational Change policy which requires an Equality Impact Assessment to be undertaken as part of the Action Plan.

Human Rights Implications

227. There are no human rights implications arising from this report. Where there are potential human rights implications arising from the changes proposed in the MTFS, these will be subject to further assessment including consultation with the Council's Legal Services.

Crime and Disorder Implications

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

Environmental Implications

229. The MTFS includes schemes to support the Council's priorities in terms of the impact of climate change and environmental improvements.

Partnership Working and Associated Issues

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

Risk Assessments

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

Background Papers

Report to the County Council 19 February 2025: Medium Term Financial Strategy 2025-29

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=7391&Ver=4>

County Council Strategic Plan

<https://www.leicestershire.gov.uk/about-the-council/council-plans/the-strategic-plan>

Appendices

Appendix A: Four Year Revenue Budget 2026/27 to 2029/30

Appendix B: 2026/27 Revenue Budget

Appendix C: Savings 2026/27 to 2029/30

Appendix D: Savings under Development

Appendix E: Growth 2026/27 to 2029/30

Appendix F: Capital Programme 2026/27 to 2029/30

2026/27 - 2029/30 REVENUE BUDGET *

	TOTAL 2025/26	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2026/27	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2027/28	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2028/29	Inflation/ Contingencies /Transfers	Growth	Savings	TOTAL 2029/30
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending																	
Services :																	
Children & Family Services	141,778	-827	30,230	-6,730	164,452	0	9,720	-5,000	169,172	0	10,500	-4,400	175,272	0	11,100	-4,175	182,197
Adults & Communities	237,010	13,323	12,170	-6,990	255,513	0	6,060	-4,010	257,563	0	5,190	-1,140	261,613	0	6,290	-1,100	266,803
Public Health **	-2,746	660	0	0	-2,086	0	0	0	-2,086	0	0	0	-2,086	0	0	0	-2,086
Environment & Transport	117,174	4,324	5,110	-5,680	120,928	-155	4,465	-1,150	124,088	0	8,305	-95	132,298	0	3,445	0	135,743
Chief Executives	16,859	-861	175	-540	15,633	0	0	-10	15,623	0	0	0	15,623	0	0	0	15,623
Corporate Resources	39,039	775	1,005	-3,005	37,815	70	0	-640	37,245	73	0	-85	37,233	0	0	-120	37,113
	549,114	17,395	48,690	-22,945	592,254	-85	20,245	-10,810	601,604	73	23,995	-5,720	619,952	0	20,835	-5,395	635,392
DSG (Central Dept recharges)	-2,285				-2,285				-2,285				-2,285				-2,285
Growth Contingency	0		0		0		6,755		6,755		4,170		10,925		6,165		17,090
Service Investment Fund	1,200	-1,200			0				0				0				0
MTFS Risks Contingency	8,000				8,000				8,000				8,000				8,000
Contingency for inflation/ Living Wage	34,430	-15,180			19,250	19,450			38,700	19,850			58,550	20,050			78,600
	590,459	1,015	48,690	-22,945	617,219	19,365	27,000	-10,810	652,774	19,923	28,165	-5,720	695,142	20,050	27,000	-5,395	736,797
Central Items:																	
Financing of capital	14,800	-2,400			12,400	100			12,500	800			13,300	600			13,900
Bank & other interest	-12,000	1,000			-11,000	5,000			-6,000	3,000			-3,000	2,000			-1,000
Central expenditure	3,014	-765			2,249	-165			2,084	-160			1,924	-100	0	0	1,824
Total Services & Central Items	596,273	-1,150	48,690	-22,945	620,868	24,300	27,000	-10,810	661,358	23,563	28,165	-5,720	707,366	22,550	27,000	-5,395	751,521
Contributions to earmarked reserves	22,600				34,650				40,900				46,400				51,000
Contributions to General Fund	1,000				1,000				1,000				1,000				1,000
Contribution from reserves to balance budget	-4,653																
Total Spending	615,220				656,518				703,258				754,766				803,521
Funding																	
Revenue Support Grant / Settlement																	
Funding/Business Rates	-1,229				-183,700				-188,060				-190,470				-190,470
Business Rates - Top Up	-42,912	Business Rates included in RSG/ Settlement Funding/Business Rates line above, pending details in the Provisional Settlement.															
Business Rates Baseline/Retained	-31,818																
S31 grants - Business Rates	-17,713																
Business Rates Pool - share of Levy	-8,000																
Council Tax Precept	-422,465				-441,620				-461,650				-482,590				-504,470
Council Tax Collection Fund net deficit / (surplus)	-1,493				-2,000				-500				-500				-500
New Homes Bonus Grant	-1,041																
Improved Better Care Grant etc.	-14,190	Grants included in RSG/Settlement Funding/Business Rates line above, pending details in the Provisional Settlement.															
Social Care Grant	-50,971																
ASC Market Sustainability & Improvement Fund	-10,562																
Domestic Abuse Safe Accommodation Grant	-1,464																
Children's Social Care Prevention Grant	-1,373																
NI Compensation Grant	-3,656																
Extended Producer Responsibility (EPR)	-6,333				-5,880				-4,000				-3,000				-2,000
Total Funding	-615,220				-633,200				-654,210				-676,560				-697,440
VARIANCE	0				23,318				49,048				78,206				106,081
<i>Band D Council Tax</i>	<i>£1,681.50</i>				<i>£1,731.78</i>				<i>£1,783.56</i>				<i>£1,836.88</i>				<i>£1,891.81</i>
<i>Increase</i>	<i>4.99%</i>				<i>2.99%</i>				<i>2.99%</i>				<i>2.99%</i>				<i>2.99%</i>

* provisional for 2027/28 and later years

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

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2026/27 REVENUE BUDGET

	Base including inflation £000	Growth £000	Savings £000	TOTAL 2026/27 £000
<u>Spending</u>				
Services :				
Schools *				0
Children & Family Services	140,952	30,230	-6,730	164,452
Adults & Communities	250,333	12,170	-6,990	255,513
Public Health **	-2,086			-2,086
Environment & Transport	121,498	5,110	-5,680	120,928
Chief Executives	15,998	175	-540	15,633
Corporate Resources	39,815	1,005	-3,005	37,815
	566,509	48,690	-22,945	592,254
DSG (Central Dept recharges)	-2,285			-2,285
MTFS Risks Contingency	8,000			8,000
Contingency for inflation/ Living Wage	19,250			19,250
	591,474	48,690	-22,945	617,219
Central Items:				
Financing of capital	12,400			12,400
Bank & other interest	-11,000			-11,000
Central expenditure	2,249			2,249
Total Central Items	3,649	0	0	3,649
Total Services & Central Items	595,123	48,690	-22,945	620,868
Contributions to earmarked reserves				34,650
Contribution to General Fund				1,000
Total Spending				656,518
<u>Funding</u>				
Revenue Support Grant /Settlement Funding/Business Rates				-183,700
Council Tax Precept				-441,620
Council Tax Collection Fund net deficit / (surplus)				-2,000
Extended Producer Responsibility (EPR)				-5,880
Total Funding				-633,200
VARIANCE				23,318
<i>Band D Council Tax</i>				<i>£1,731.78</i>
<i>Increase</i>				<i>2.99%</i>

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

** Public Health funded by Grant

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SAVINGS

References			2026/27	2027/28	2028/29	2029/30	
			£000	£000	£000	£000	
<u>References used in the following tables</u>							
* items unchanged from previous Medium Term Financial Strategy							
** items included in the previous Medium Term Financial Strategy which have been amended							
Eff - Efficiency saving							
SR - Service reduction							
Inc - Income							
<u>CHILDREN & FAMILY SERVICES</u>							
*	CF1	Eff	Innovation Partnership - Creation and investment in Internal Residential provision	-750	-1,250	-1,500	-1,500
*	CF2	Eff	Defining CFS For the Future Programme - Phase 2 - Social Care Workforce Strategy (Recruitment and Retention)	-250	-650	-650	-650
*	CF3	Eff	Reduced Care Costs through growth of internal family based placements	-300	-600	-850	-850
**	CF4	Eff/Inc	Smarter commissioning, Procurement and Demand Management - Social Care Placements and externally commissioned services				
			Strand 1 - Contain & Minimise impact of market cost pressures for children placements - external providers	-1,000	-2,250	-3,700	-5,470
			Strand 2 - Review of care packages /cost (Pro-active and Reactive) ensuring value for money and effectiveness	-200	-400	-650	-955
			Strand 3 - Development of a wide range of other accommodation and support options	-3,600	-5,950	-8,150	-10,250
	CF5	Eff	Departmental Service Efficiency Review	-630	-630	-630	-630
TOTAL				-6,730	-11,730	-16,130	-20,305
<u>ADULTS & COMMUNITIES</u>							
<u>Adult Social Care</u>							
*	AC1	Inc	Increased income from fairer charging and removal of subsidy / aligning increases	-100	-200	-300	-400
*	AC2	Eff	Implementation of digital assistive technology to service users	-150	-150	-150	-150
*	AC3	Inc	Increased Better Care Fund income from annual uplift	-2,000	-3,000	-4,000	-5,000
*	AC4	Eff	Transforming Commissioning (Extra Care)	-80	-155	-155	-155
**	AC5	Eff	Transforming Commissioning continuing review of contracts across all areas	-25	-25	-25	-25
**	AC6	Eff	Review of underspends in staffing and general expenditure(turnover)	-100	-100	-100	-100
*	AC7	Eff	Review in-house supported living and short breaks provision	-150	-400	-400	-400
*	AC8	Eff	Review of 1:1 support in residential care	-250	-250	-250	-250
*	AC9	Inc	Increasing Health Income	-200	-200	-200	-200
*	AC10	Inc	Review of Fees & Charges	-50	-50	-50	-50
	AC11	Eff	Review of Lightbulb Service contribution and business case with partners to improve efficiency.	-160	-160	-160	-160
	AC12	Eff	Review of Direct Payments processes to improve efficiency across teams and robustness of assessments/reviews.	-50	-50	-50	-50
	AC13	Eff	Social Care Data Quality	-250	-250	-250	-250
	AC14	Eff	Strategic Commissioning Efficiencies	-50	-50	-50	-50
	AC15	Eff	Transforming Commissioning (Homecare Reprourement)	-150	-260	-260	-260
	AC16	Eff	Transforming Commissioning (Community Life Choices Reprourement)	-75	-150	-150	-150
	AC17	Eff	Prevention Review - Reviews of cases	-350	-700	-700	-700
	AC18	Eff	Prevention Review - Supported Living	-850	-1,700	-1,700	-1,700
	AC19	Eff	Prevention Review - Hospital Discharge and Reablement	-950	-1,900	-1,900	-1,900
	AC20	Eff	Prevention Review - Improved Pathway to Adulthood	0	-250	-250	-250
	AC21	Eff	Increased Reablement Capacity	-1,000	-1,000	-1,000	-1,000
Total ASC				-6,990	-11,000	-12,100	-13,200
<u>Communities and Wellbeing</u>							
**	AC22	Eff	Implementation of revised service for communities and wellbeing	0	0	-40	-40
Total C&W				0	0	-40	-40
TOTAL A&C				-6,990	-11,000	-12,140	-13,240

SAVINGS

References				2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
<u>ENVIRONMENT & TRANSPORT</u>							
<u>Highways & Transport</u>							
*	ET1	Eff	Assisted Transport Programme	-4,010	-4,845	-4,845	-4,845
*	ET2	Inc	Network Management incl. temporary traffic regulation orders (TTRO)	-200	-200	-200	-200
**	ET3	Inc	Fees and Charges Uplift	-35	-35	-35	-35
*	ET4	Eff	Traffic Signals energy savings arising LED implementation	-20	-20	-20	-20
	ET5	Eff	Contract Procurement efficiencies	-800	-800	-800	-800
Total				-5,065	-5,900	-5,900	-5,900
<u>Environment & Waste</u>							
**	ET6	Inc	Trade Waste income	-100	-100	-100	-100
**	ET7	Eff/Inc	Food Waste Implementation	-260	-575	-670	-670
**	ET8	Inc	Fees and Charges Uplift	-5	-5	-5	-5
	ET9	Inc	Recycling Materials Increased Income	-250	-250	-250	-250
Total				-615	-930	-1,025	-1,025
TOTAL E&T				-5,680	-6,830	-6,925	-6,925
<u>CHIEF EXECUTIVE</u>							
*	CE1	Eff	Trading Standards Review	-10	-20	-20	-20
**	CE2	Inc	Additional Registrars fees and income	-135	-135	-135	-135
	CE3	Eff/SR	Staff vacancy	-100	-100	-100	-100
	CE4	Eff	Review of Communities Management	-95	-95	-95	-95
	CE5	Eff	Travel reduction	-10	-10	-10	-10
	CE6	SR	Hospitality reduction	-10	-10	-10	-10
	CE7	Eff	Democratic Services - Staff Review	-55	-55	-55	-55
	CE8	Eff	Departmental Efficiencies	-125	-125	-125	-125
TOTAL				-540	-550	-550	-550
<u>CORPORATE RESOURCES</u>							
*	CR1	Eff/Inc	Ways of Working - Use of office space	-175	-595	-595	-595
**	CR2	Eff	Customer Programme (Cross cutting)	-85	-195	-280	-400
*	CR3	Eff	Transformation Unit efficiencies (Vacancy management and continuous improvement activities).	0	-70	-70	-70
**	CR4	Eff	Energy Initiatives (Implementation of energy generation and efficiency improvement works across LCC estates to drive down costs).	-50	-80	-80	-80
*	CR5	Eff	ICT efficiencies (Restructuring and reskilling staffing resource and optimising benefits of simplified systems architecture).	-925	-925	-925	-925
**	CR6	Eff	Property Service efficiencies (Reduced maintenance costs across LCC estates and outsourcing cafes across LCC's country parks).	-180	-180	-180	-180
**	CR7	Eff	Departmental/Administrative efficiencies (One-off savings arising from increased financial controls).	300	300	300	300
	CR8	Inc	Minimum Revenue Provision Review - assessment of alternative prudent approaches	-1,600	-1,600	-1,600	-1,600
	CR9	Inc	Tax Opportunities - review of opportunities for payroll tax savings	-50	-50	-50	-50
	CR10	Inc	ESPO Increased Dividend Yield	-185	-185	-185	-185
	CR11	Eff	Review Social Media Strategy and Delivery	-55	-55	-55	-55
	CR12	Eff	Rationalisation of Multi-Functional Devices (Photocopiers)	0	-10	-10	-10
TOTAL				-3,005	-3,645	-3,730	-3,850
TOTAL SAVINGS including additional income				-22,945	-33,755	-39,475	-44,870
MTFS net shortfalls - savings required				-23,318	-49,048	-78,206	-106,081
TOTAL SAVINGS REQUIRED - EXCLUDING DSG				-46,263	-82,803	-117,681	-150,951
<u>Dedicated Schools Grant - Deficit reduction activity</u>							
Integrated programme of six strategic actions to create a whole-system transformation that address the root causes of rising EHCP demand and inefficient placement patterns				-4,817	-15,810	-30,064	-47,627
				-4,817	-15,810	-30,064	-47,627
TOTAL SAVINGS REQUIRED - INCLUDING DSG				-51,080	-98,613	-147,745	-198,578

SAVINGS UNDER DEVELOPMENT

Initiative title	RAG
<u>Children and Family Services</u>	
Service Efficiency Rolling Programme.	A
Parental Mental Health and Substance Misuse.	A
<u>Adults and Communities</u>	
Prevention Review - Carers	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
<u>Public Health</u>	
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
<u>Environment and Transport</u>	
Post-16 SEN Transport Review: Review discretionary transport for post-16 SEN students, focusing on appeals, financial controls, and alternative options such as increasing PTB (Personal Transport Budget) values to encourage uptake and reduce overall costs.	A
Fleet Efficiencies and Improvements: Reduce reliance on hired vehicles and optimise fleet size using service data. This includes reviewing utilisation, maintenance costs, and replacement cycles. We will also explore commercial appetite for using the workshop facilities to generate income.	A
Network Management Improvement Project (NMIP): Streamline roadworks permitting processes to achieve operational excellence, improve compliance, and strengthen financial control. This is a prerequisite for considering the national Lane Rental Scheme.	A
Commercialisation of Highways Services: We are exploring how highway assets (e.g., street lighting columns, bus shelters) could generate income through advertising or hosting telecoms equipment. This will require legal agreements and market testing to confirm appetite. Dependent on external parties to lead on this.	A
Lane Rental Scheme: Once NMIP is complete, explore charging utility companies for occupying roads during works. This would incentivise quicker completion and generate income.	A
RHWS Income and Service Efficiency: Improve efficiency at RHWS sites and explore income-generating options such as re-use shops. Work will focus on maximising contract performance and assessing feasibility for next steps.	A
Forestry Service Review: Review and consolidate forestry services under Environment & Transport to reduce costs, improve safety, and deliver a consistent, accountable service.	A
On-Street Parking Charges: Explore introducing paid parking in high-demand areas (e.g., town centres) where parking is currently free but time-limited. Requires feasibility work, updated surveys, and public consultation. Current savings estimate is based on the 2018 business case and this needs refreshing as part of the new opportunity assessment.	A
Grass Cutting – Reduce Urban Mowing Frequency: Reduce grass cutting in urban areas from six to five cuts per year (around 60% of the county) to save £51k annually. However, this is one of the most visible services, and the lower-level saving could be outweighed by increased complaints and member enquiries. Longer gaps between cuts would require new equipment and a strong communications plan.	A
School Crossing Patrol: Assess whether funding for crossing patrols can come from schools, Public Health, or other partners to reduce council costs.	A

Initiative title	RAG
<u>Chief Executives</u>	
Implementing BioDiversity Net Gain: Income to be received by implementing a chargeable BNG advisory service.	R
SUD additional Planning, Historic and Natural Environment - fee income: Additional income due to the national Planning Application fees increase.	A
Staffing Review	G
Legal Services in-house advocate role: Locum barrister recruited on fixed-term basis in the childcare advocate team.	G
<u>Corporate Resources</u>	
Assess technology offer to further optimise value: Reviewing enterprise technology licences and vendor contracts to maximise utilisation and reduce duplication. Focus is on aligning spend with business priorities and leveraging existing platforms for greater return on investment.	G
Technology Architecture and data review including consolidation of ICT systems to adopts a unified approach: Strategic review of ICT architecture to simplify systems, consolidate platforms, and adopt a unified data approach. Expected benefits include cost reduction, improved resilience, and streamlined support.	G
Targeted Automation - Digiting Caseworker Notes: Exploring automation of manual case recording processes to reduce administrative burden, improve data accuracy, and release staff time for frontline services.	G
Beaumanor Hall - Future options for operation of site Options appraisal underway to determine future operating model, including potential outsourcing, partnerships, or alternative use to increase income and reduce costs.	A
liLP - Income from investment decisions - further opportunities being explored: Further opportunities being explored within the Invest in Leicestershire Programme to optimise returns through strategic asset management and diversification.	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: Comprehensive review of property services to identify structural efficiencies, improve asset utilisation, and reduce costs through streamlined processes.	G
Assess opportunity to reduce spend on water contracts across the estates: Assessing opportunities to renegotiate water supply contracts and implement consumption reduction measures for cost and environmental benefits.	A
Management of teams: Targeted interventions for teams with high turnover, agency reliance, or absence rates to improve workforce stability and reduce associated costs.	A
<u>Cross cutting</u>	
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

GROWTH

References			2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
<u>CHILDREN & FAMILY SERVICES</u>						
**	G1	Demographic growth & increasing cost of Social Care Placement mix	24,500	32,700	41,500	51,000
**	G2	Front-line social care staff - increased caseloads	700	700	900	900
**	G3	Post Transforming SEND & Inclusion In Leicestershire(TSIL) sustainability	1,850	1,850	1,850	1,850
**	G4	Unaccompanied Asylum Seeking Children (UASC) - increased demand/cost	800	2,000	3,200	4,450
	G5	Disabled Children Service	1,380	1,700	2,000	2,350
	G6	Oakfield Expansion - Increased Transport need/demand	1,000	1,000	1,000	1,000
		TOTAL	30,230	39,950	50,450	61,550
<u>ADULTS & COMMUNITIES</u>						
**	G7	Older people - new entrants and increasing needs in community based services and residential admissions	5,130	8,980	12,580	16,770
**	G8	Learning Disabilities - new entrants including children transitions and people with complex needs	3,780	6,530	9,150	12,000
**	G9	Mental Health - new entrants in community based services and residential admissions	1,420	2,400	3,290	4,340
**	G10	Physical Disabilities - new entrants in community based services	340	670	1,040	1,370
**	G11	Additional Service User Income from new growth to offset costs	-530	-1,380	-2,350	-3,420
**	G12	Additional Health Income from new growth to offset costs	-1,380	-2,380	-3,330	-4,390
	G13	Increased Service User Income realigning to 2025/26 levels	-750	-750	-750	-750
	G14	Archives digital preservation and offsite storage	170	120	100	100
	G15	CQC Improvement Plan	3,990	4,040	3,690	3,690
		TOTAL	12,170	18,230	23,420	29,710
<u>ENVIRONMENT & TRANSPORT</u>						
<u>Highways & Transport</u>						
**	G16	Special Educational Needs transport - increased client numbers/costs	4,975	7,290	10,325	13,275
*	G17	Mainstream School Transport	135	285	445	605
*	G18	Fleet Services vehicle maintenance costs	-45	-70	0	70
*	G19	Street Lighting maintenance costs	-125	-125	-125	-125
	G20	Loss of income on Passenger Fleet from removal of school food	65	90	90	90
		Total	5,005	7,470	10,735	13,915
<u>Environment & Waste</u>						
**	G21	DIY Waste - loss of income	0	65	130	195
**	G22	Increased waste tonnages	80	240	440	640
*	G23	Emissions Trading Scheme (ETS) expansion to include energy from waste facilities	0	1,500	6,000	6,000
	G24	Deposit Return Scheme (DRS)	0	275	550	550
		Total	80	2,080	7,120	7,385
<u>Department Wide</u>						
*	G25	HGV Driver Market Premia	25	25	25	25
		Total	25	25	25	25
		TOTAL E&T	5,110	9,575	17,880	21,325
<u>CHIEF EXECUTIVES</u>						
	G26	Legal Services - Childcare team	175	175	175	175
		TOTAL	175	175	175	175
<u>CORPORATE RESOURCES</u>						
**	G27	ICT cyber security	330	330	330	330
	G28	Commercial Services	675	675	675	675
		TOTAL	1,005	1,005	1,005	1,005
<u>CORPORATE GROWTH</u>						
**	G29	Growth contingency	0	6,755	10,925	17,090
		TOTAL	0	6,755	10,925	17,090
		TOTAL GROWTH	48,690	75,690	103,855	130,855
<i>Overall net additional growth</i>				<i>27,000</i>	<i>28,165</i>	<i>27,000</i>

* items unchanged from previous Medium Term Financial Strategy

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

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CHILDREN & FAMILY SERVICES - CAPITAL PROGRAMME 2026-30

Estimated Completion Date	Gross Cost of Project £000		Draft Capital Programme				
			2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
Mar-30	49,097	<u>MAIN GRANT FUNDED PROGRAMME</u>					
		Provision of Additional School Places	28,425	16,085	4,047	540	49,097
Mar-29	26,958						
		Provision and Improvement of SEND Places	7,158	18,900	900	0	26,958
Mar-30	8,000	Strategic Capital Maintenance	2,000	2,000	2,000	2,000	8,000
Mar-30	1,600	Schools Devolved Formula Capital	400	400	400	400	1,600
Mar-30	1,200	Schools Access / Security	300	300	300	300	1,200
Mar-27	48	Music Hub Equipment	48	0	0	0	48
Mar-27	275	Children's SCIP - Residential Home	275				275
		Other Capital	3,023	2,700	2,700	2,700	11,123
		Overall Total	38,606	37,685	7,647	3,240	87,178

Future Developments - subject to further detail and approved business cases

Additional School Infrastructure arising from Housing Developments

SEN Provision arising from new housing development

Further Residential Opportunities

ADULTS & COMMUNITIES - CAPITAL PROGRAMME 2026-30

Estimated Completion Date	Gross Cost of Project £000		Draft Capital Programme				
			2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
Mar-30	22,072	Disabled Facilities Grant (DFG)	5,518	5,518	5,518	5,518	22,072
			5,518	5,518	5,518	5,518	22,072
Mar-29	3,758	<u>Social Care Investment Plan (SCIP):</u>					
		SCIP - Extra Care schemes	2,920	419	419	0	3,758
		Sub-Total SCIP	2,920	419	419	0	3,758
		Total A&C	8,438	5,937	5,937	5,518	25,830

Future Developments - subject to further detail and approved business cases

Archives, Collections and Learning Centre

ENVIRONMENT & TRANSPORT - CAPITAL PROGRAMME 2026-30

Estimated Completion Date	Gross Cost of Project £000		Draft Capital Programme				
			2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
		<u>Major Schemes</u>					
Apr-27	19,600	Zouch Bridge Replacement - Construction and Enabling Works	3,675	76	0		3,750
Mar-29	12,175	Advance Design / Match Funding	3,250	2,975	2,975	2,975	12,175
Mar-28	4,356	Market Harbough improvements	2,421	88	0		2,508
Mar-29	1,613	Leicestershire Cycling Walking Improvements Plan Delivery	824	338	0		1,162
Mar-27	1,880	The Parade Oadby Cyclops	1,000	0	0		1,000
Mar-29	3,151	Local Electric Vehicle Infrastructure (LEVI) Full Roll out	299	599	2,237		3,135
			11,469	4,075	5,212	2,975	23,731
		<u>Minor Schemes / Other</u>					
Mar-28	2,928	Property Flood Risk Alleviation - funded externally + LCC	1,176	352	0		1,528
Mar-29	2,413	Safety Schemes	2,512	2,327	1,975	2,095	8,909
Mar-26	377	Active Travel Improvements	620	309	430	470	1,829
Mar-29	400	Plant renewals	100	100	100	100	400
Mar-27	9,870	Melton Depot Replacement	9,321	0	0		9,321
Mar-27	575	Highways Depot Improvements	200	200	0		400
Mar-29	17,656	County Council Vehicle Replacement Programme	4,540	3,436	4,880	1,682	14,538
Mar-28	2,394	Externally Funded Schemes	1,128	351	0		1,479
			19,597	7,075	7,385	4,347	38,404
		<u>Transport Asset Management</u>					
Mar-29	19,885	Capital Schemes and Design	4,784	5,034	5,034	5,034	19,885
Mar-29	8,804	Bridges	1,755	1,385	1,164	4,500	8,804
Mar-29	3,321	Highways Flood alleviation	600	926	926	870	3,321
Mar-29	12,290	Street Lighting	3,208	3,130	3,131	2,821	12,290
Mar-29	4,230	Traffic Signal Renewal	866	1,199	1,174	991	4,230
Mar-29	48,474	Preventative Maintenance - (Surface Dressing)	11,673	12,424	13,181	11,196	48,474
Mar-29	42,271	Restorative (Patching)	9,813	10,666	10,846	10,946	42,271
Mar-29	1,711	Public rights of way maintenance	661	517	517	17	1,711
Mar-29	1,400	Network Performance & Reliability	350	350	350	350	1,400
Mar-30	21,804	Other LTG Funds - to be allocated across the TAM	0	5,978	5,240	10,586	21,804
			33,710	41,608	41,562	47,311	164,191
		<u>Environment & Waste</u>					
Mar-29	148	Ashby Canal	37	37	37	37	148
Mar-29	1,629	Recycling Household Waste Sites - General Improvements	511	390	438	290	1,629
Mar-27	490	Recycling Household Waste Sites - S.106 funded schemes	490	0	0		490
Mar-28	1,139	Food Waste Treatment Service Delivery	288	851	0		1,139
			1,326	1,278	475	327	3,405
		Total E&T	66,101	54,036	54,634	54,960	229,730

Future Developments - subject to further detail and approved business cases

New Melton RHWS
Compaction equipment
Green vehicle fleet
Windrow Composting Facility

CORPORATE RESOURCES - CAPITAL PROGRAMME 2026-30

Estimated Completion Date	Gross Cost of Project £000		Draft Capital Programme				
			2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
Mar-28	903	<u>ICT</u> Cisco Network Equipment	0	600	0	0	600
Mar-28	240	Replacement of IT Service Management toolset and User Portal (Marval)	0	240	0	0	240
Mar-29	1,700	Hyper-Converged Infrastructure (HCI) Refresh/re-license	150	300	331	0	781
Mar-29	100	Remote Access Refresh	0	0	76	0	76
Mar-30	1,949	Backup System Replacement	0	0	0	1,000	1,000
Mar-30	150	Wireless Access points	0	0	0	49	49
Mar-27	70	Wireless Controllers	70	0	0	0	70
Mar-30	2,943	Workplace Strategy - EUD Refresh (PC, laptop)	734	770	835	604	2,943
Mar-27	200	Loadbalancers	200	0	0	0	200
Mar-27	300	Perimeter Firewalls	300	0	0	0	300
Mar-30	150	Wireless Access Points	0	0	0	150	150
		Sub total ICT	1,454	1,910	1,242	1,803	6,409
		<u>Property Services</u>					
Mar-30	495	Boiler Replacement Programme	270	95	75	55	495
Mar-27	65	County Hall installation of UPS to CWC's	65	0	0	0	65
Mar-27	75	Bosworth Battlefield car park	75	0	0	0	75
		Sub total Property Services	410	95	75	55	635
		<u>Climate Change - Environmental Improvements</u>					
Mar-27	100	Energy initiatives	100	0	0	0	100
		Sub total Energy	100	0	0	0	100
		Total Corporate Resources	1,964	2,005	1,317	1,858	7,144

Future Developments - subject to further detail and approved business cases

ICT Future Development:

End of life replacements and security improvements

Property Services

Minimum Energy Efficiency Standards (MEES)

Snibston ancient monument - (SAM)

End of life gas boiler replacement

Country Parks Future Developments:

Watermead café and car park changes

County Parks ANPR ticketless car parking expansion

Ashby Woulds Heritage Trail - resurfacing

Broombriggs Farm Cottage - refurbishment

Bosworth Battlefield New Adventure Play Facility

CHIEF EXECUTIVES - CAPITAL PROGRAMME 2026-30

Estimated Completion Date	Gross Cost of Project £000		Draft Capital Programme				
			2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
Mar-27	200	Legal - Case Management System - subject to business case	200	0	0	0	200
		Total Chief Executives	200	0	0	0	200

Future Developments - subject to further detail and approved business cases

Legal - Commons and Village Green Register
Trading Standards - Database replacement

CORPORATE - CAPITAL PROGRAMME 2026-30

Estimated Completion Date	Gross Cost of Project £000		Draft Capital Programme				
			2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
		<u>Investing In Leicestershire Programme (IILP)</u>					
Mar-27	16,436	Airfield Business Park - Phase 3-4	700	0	0	0	700
Mar-27	3,510	Lutterworth East - Drive Thru Restaurants	500	0	0	0	500
May-27	690	M69 Junction 2 - SDA	340	50	0	0	390
Mar-30	1,400	County Farms Estate - General Improvements	350	350	350	350	1,400
Mar-30	850	Industrial Properties Estate - General Improvements	275	275	150	150	850
Mar-28	3,227	Lutterworth East - Planning and Pre-Highway construction Works	1,650	1,427	0	0	3,077
Mar-30	36,000	New Investments - subject to Business Case	5,000	10,000	10,000	11,000	36,000
		Sub total IILP	8,815	12,102	10,500	11,500	42,917
		<u>Future Developments</u>					
Mar-30	38,000	Future projects - subject to business cases	0	10,000	14,000	14,000	38,000
Mar-30	25,000	Capital Programme Portfolio Risk	5,000	5,000	5,000	10,000	25,000
		Sub total Future Developments	5,000	15,000	19,000	24,000	63,000
		Total Corporate Programme	13,815	27,102	29,500	35,500	105,917

Future Developments - subject to further detail and approved business cases

Sustainability / Invest to Save Schemes